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AFFORDABLE HOUSING

Official Weekly Newsletter From Kercheval & Associates

IN THIS ISSUE:

City considers charging demolition fee to help pay for affordable housing

By Susan Williams
December 15, 2017
Source: KXAN

AUSTIN (KXAN) — Right now, Austin has about 60,000 non-subsidized affordable housing units — units that are at risk of being demolished. Austin City Council is hoping to pump the breaks of rapid demolition by potentially tacking on a fee.

“We need to be more assertive about preserving the existing affordable housing that we have,” Mayor Pro Tem Kathie Tovo told KXAN.

The idea is for city staff to analyze the impact of demolishing those units.
“There is a city outside of Chicago that collects $10,000 for demolition of any residential structure or per unit for a multi-family apartment unit. We can’t structure our program in the way that they do, but we are looking to create a mitigation fee,” Tovo said.

Tovo represents one of three districts where more than half of all approved demolition permits occur: Districts 3, 9 and 10.

“We know that when that housing is demolished and new housing comes in its place, the housing costs increase,” Tovo said. But Witt Featherston, with Austin Infill Builders, says adding a fee will do the same.

“I mean a fee increases the cost of housing across the board,” he said. “We want people to live in Austin that can afford a $200,000 house. A $300,000 house. And this gets passed directly on to them.”

Featherston also anticipates push-back from the state. “This is attempting to do a linkage fee by another name,” he said, a fee that is generally attached to new construction to subsidize affordable housing. Texas doesn’t allow it.
“So at best this is an 18-month solution until the legislature reconvenes and says no, city of Austin. You can’t do that,” Featherston said. But Tovo and others on city council are interested in seeing what they can do.

“It’s incumbent on the city council to really do whatever we can to address that issue,” Tovo said, of the rapidly disappearing affordable housing stock.

City data indicates there were nearly 1,800 demolitions in the urban core between 2000-2010. In just 10 years, that’s the same amount of residential demolitions has the 30 years before.

The city manager is expected to report back to council with recommendations by April. Thursday night, council also approved changes for testing for lead and asbestos before demolishing a home. The changes would limit public exposure to those items and other potential toxins found in older homes. The move came after a recent audit showed safety risks weren’t being taken into consideration during demolitions.

Choosing Between Squalor Or The Street: Housing Without Government Aid

By: Laura Sullivan
December 18, 2017
Source: Texas Public Radio

Wabe.org/ Allison V. Smith for Kera
Little by little, neighborhoods in West Dallas are fading away

Pearlie Mae Brown's wooden house is listing a little. The screen door is broken, and another screen door is nailed sideways over a window.

Inside, most of the outlets don't work, cockroaches scurry across the appliances and the kitchen floor has a large hole in it down to the dirt below the house.

"It's supposed to be a wooden floor," Brown, 81, says with a wry smile.

This house is a rental — just minutes away from the booming heart of downtown in West Dallas, the newly gentrifying neighborhood where Brown has lived all her life.

Many of the houses are cheap in this part of town, but the conditions are often poor. Brown says she has little choice.

She cares for her disabled granddaughter, and she can just barely afford the $430 monthly rent on the $770 she receives from her deceased husband's social security and disability checks.

Her landlord is a man who has the same first and last name — Khraish Khraish. He works just a few blocks away in a small, bleak office. Some, including Khraish himself, say he is a champion of the poor providing people like Brown with low-cost housing when they have nowhere else to go. Others say he's one of the city's worst slumlords.

Wabe.org/ Allison V. Smith for Kera
Millions of Americans struggle to afford their rent and most don't get any help at all. In Dallas, the city and prominent landlord are the latest moving pieces in the problem

And lately in this neighborhood – and in cities all across the country – the line between those two is increasingly clouded and complicated.

Nationally, only about a fourth of the people who qualify for government aid with housing actually receive any help, through programs like the Section 8 Housing Choice Voucher program. Millions of others end up in what is often referred to as the "unassisted market." They live in places like West Dallas, where our investigation found the system is often stacked against them and the choice more often than not is between squalor and homelessness.

Cracking Down On Code

This Hobson's choice has existed in West Dallas for decades. But one day, two years ago, the city of Dallas changed the status quo and fundamentally altered the state of housing in West Dallas.

In 2015, city officials began a crackdown on landlords. Inspectors ticketed and fined Khraish and other landlords and took them to court over the conditions of their properties. Nobody at the time had any idea how this story would end. Not even Khraish. He and his father bought more than 300 West Dallas homes in 2003. He says the homes are not fancy, but they are livable.

"My father and I went into every single home, cleaned up drugs and needles and human waste," Khraish remembers.

“Twelve hour days, six days a week. We’re still open six days a week,” he says. “I’ve been proud of what I’ve done in providing housing to the lowest income households in Dallas.”

But when Executive Assistant City Attorney Melissa Miles sent inspectors into dozens of Khraish’s homes, they found many problems.

“Houses falling off their foundations … walls that don’t connect anymore,” she says, “rooms where you look through in the seams of the walls, you could see light from the outside.”

Meg Anderson/ NPR
Khraish Khraish, a landlord who owned more than 300 homes in West Dallas

Miles and the city created a book of hundreds of violations and ordered Khraish to make repairs.

Khraish called the book devastating.

“It was just bankruptcy,” he said. “They want me to bring these to a standard these houses cannot attain. These were built in a time without code. It’s like how do you make a 1930’s engine meet modern day emission standards? You cannot.”

But from the city’s standpoint, that was Khraish’s problem.

“I don’t have a ton of sympathy for someone who got away with something to their benefit to the detriment of other people who weren’t in a good negotiating position,” Miles said. “I don’t have a lot of sympathy for people who say, but I’ve gotten away with it all this time, why are you changing the rules on me now? To that, I would say we haven’t changed any rules.”

The city recently added some new code requirements, but mostly officials were asking Khraish and other landlords to meet longtime standards that many say the city had not religiously enforced until then.

They were the kind of standards that tenant Pearlie Mae Brown says she never had while living in a rental house. That’s the case for many people nationwide.

Across the country, the majority of poor families are spending more than half of their already small incomes just to cover rent. And while median rent has increased 70 percent over the past two decades, housing conditions haven't improved, according to a 2015 Harvard study.

Brown's daughter, Pearline Brown Harper, wastes no time explaining what she thinks of Khraish.

"It shouldn't come out of anybody's mouth what I think about him," she said. "He didn't come fix nothing. He just told the tenants that they would have to take care of stuff their selves. He's just a slumlord. And these people out here have made him the rich man that he is."

Meg Anderson/ NPR
Pearlie Mae Brown (left) and her daughter, Pearline Brown Harper, in front of Pearllie Mae's house in West Dallas

Khraish isn't flashy. He lives in an upper middle class neighborhood and drives a 10-year-old car. For years, he was also collecting as much as $180,000 each month in rent in West Dallas.

He's not the only one to see the investment potential here. Across the country, mom-and-pop landlords are on the decline, and owners with dozens or hundreds of properties are on the rise, according to an analysis by Harvard's Joint Center For Housing Studies. It's the same in Dallas.
And the less a landlord has to spend on repairs, the more money he or she stands to make.

Hundreds Facing Homelessness

Which could explain what happened next: After the city intervened, Khraish responded with a surprise. In the fall of 2016, Khraish announced that he was not going to fix the homes up or bring them up to code. Instead, he said, he was going to tear the homes down, and kick out the residents.

Suddenly hundreds of residents were facing imminent homelessness.

“When I shut down my rental business and 300 households were facing imminent displacement, you know what the real panic was? It wasn’t that they had to leave,” Khraish said. “It’s that there was no place to go to. There was not 300 … affordable housing units in the entire city of Dallas.”

There was little the city could do. They worked to find housing for Khraish’s tenants and reached an agreement to allow them to stay until the end of the school year in June 2017. The city agreed not to fine Khraish for code violations during that time. Eventually, a Dallas County district judge extended the agreement to allow tenants to stay in their homes until October 2017.

Meg Anderson/ NPR
West Dallas residents say they're finding it difficult to find housing they can afford elsewhere in the city

“I understand there’s blame to go around,” city attorney Miles said about what would happen to the residents. “There’s blame for the city. I think there’s blame right up the ladder of government and sort of everyone in between, from national policy to the owner of a particular property not caring enough, not being humane enough, not being willing to be a little less personally greedy to do something about it.”

But the question looming over all of this is why the city had decided to enforce code more aggressively in the first place.

Khraish had a theory.

“The city of Dallas does not want low-income households in the city,” he said. Khraish’s theory goes like this: The city wants him to renovate his homes because if he renovates, he’ll have to charge more to recoup the costs. His tenants can’t pay more, so they’ll go live somewhere else, somewhere other than gentrifying West Dallas or maybe even all of Dallas.

“Their affordable housing policy is not to have one,” he said.

Dallas Mayor Mike Rawlings said that's not true. He said the city could no longer allow people to live in such poor conditions.

"I think you have to make those decisions based on principles," Rawlings said. "And that is the principles of making sure that people live in safe environments, okay? Safe and clean environments is not asking too much."

It took the city decades to ask that much of its landlords. But Rawlings says he hopes low-income, middle-income, and wealthy people will all live together in West Dallas as the neighborhood transitions into a sought-after community.

"We're going to have people live in good housing," he said, "and we're going to keep pushing this thing. So we're going to find better and better answers."

It's a difficult dilemma for many cities: Officials can enforce code so that people live in decent conditions, but rents might rise as a result and the poor might be left with no affordable alternative. Or they can allow the properties to deteriorate and face a reality that in one of the wealthiest countries in the world, some of its most vulnerable residents live in squalor.

Cities could avoid this choice by never letting properties go into disrepair in the first place. But that costs money. Cities have to pay to take landlords to court, staff a code enforcement office and hire inspectors.

"There's a lot of tax money that comes in from downtown," explains prominent housing civil rights lawyer Michael Daniel. "It wouldn't take a lot of it to make some differences. But you can't shift it. If you start telling people, your potholes are going to last a year longer because we're going to do code enforcement in West Dallas, their council members will say, 'I'll lose; I can't do that.'"

Daniel says what's more, the city might be secretly happy Khraish decided to evict the residents.

"The city didn't have to spend the money," he said. "You bring it all down, and you bring it back as something that rises from the ashes."

Except in those ashes, he says, only wealthy people get to live, and you don't even need to do code enforcement.

Seller-Financed Deals

And that might have been the end of the West Dallas story, except Khraish had a coda to add: Last summer, he announced he was sparing about half of his tenants from eviction. Instead, he says, he was going to make them homeowners.

Khraish plans to lend his tenants the money himself to buy the houses. Seller-financed deals are often controversial and can sometimes leave buyers with less-than-favorable terms. For example, some of Khraish's contracts say that if buyers miss one payment, he can demand that they pay off the entire house immediately or lose it.

There's no way to know whether that's what Khraish intends. But in the meantime, when it comes to code enforcement, he will no longer have to worry about repairs. From the city's perspective, he's not the owner anymore.

Pearlie Mae Brown signed a contract with Khraish called a "life estate." When she dies, the property will revert back to Khraish.

Until that happens, Brown says she can't afford to fix the house, but she has nowhere else to go. Mayor Rawlings called this a happy ending. More than one hundred people will get to stay in West Dallas as homeowners.

"It's not my job to lawyer the papers," he said. "And I don't think that he's got any motivation to outright defraud individuals."

Khraish agrees that he doesn't.

"I was never a slumlord, but I'm certainly not going to trade the slumlord moniker for the predatory lender moniker," he said. "I'm trying to do the right thing. I believe I am doing the right thing. I believe that the community trusts me that I'm doing the right thing."

Affordable Housing Loses in GOP Tax Bill

By: Demelza Baer
December 13, 2017
Source: nextcity.org

Senate Majority Leader Mitch McConnell, R-Ky., center, joined by, from left, Sen. John Thune, R-S.D., Sen. Cory Gardner, R-Colo., Sen. Roy Blunt, R-Mo., and Majority Whip John Cornyn, R-Texas, speaks to reporters about the GOP tax bill following a closed-door strategy session on Capitol Hill on Dec. 12. (AP Photo/J. Scott Applewhite)

In the early morning hours of Dec. 2, the U.S. Senate passed a sweeping, hastily written tax bill that would massively transfer money from the middle class to corporations and the 1 percent, and add more than $1 trillion dollars to our federal deficit. Since the U.S. House of Representatives passed its own equally treacherous tax bill in mid-November, the two chambers are now meeting in conference to reconcile their bills and produce a combined bill for final passage within the next week.

We are in code red.

Congress is on the verge of passing legislation that would fundamentally harm low- and middle-income people and people of color across the country, particularly in high-cost cities and states like New Jersey, New York and California, endanger the future of bedrock government programs like Social Security and Medicare, and jeopardize our economy.

Together, these bills are an all-out assault on nearly all programs that make-up our social safety net and promote economic mobility in the U.S., but particularly in healthcare, housing, and education.

The Senate's version of the tax bill includes a back-door repeal of the Affordable Care Act (or Obamacare), because it repeals the individual mandate to have health insurance — an essential part of our healthcare markets that enables insurance companies to provide affordable coverage for everyone. The non-partisan Congressional Budget Office estimates that this would cause 13 million people to lose coverage and raise all of our insurance premiums by 10 percent over the next 10 years.

The House version of the bill would also eliminate the medical expense deduction that allows people who itemize their taxes to deduct medical expenses that exceed 10 percent of their income. Nearly 9 million Americans rely on this tax deduction, and they are disproportionately senior citizens and the parents of children with serious illnesses or disabilities.

The House bill would also severely undermine the Low Income Housing Tax Credit (LIHTC), which is the largest government program to support the construction or repair of affordable housing units across the country. Under this bill, the 4 percent tax credit relied on by over half of affordable housing developers annually would be gutted, because it would eliminate the tax-exempt status of private activity bonds — which are required for the 4 percent tax credit.

Over the next decade, this would lead to the loss of nearly 1 million affordable housing units at a time when we are experiencing a nationwide housing shortage. People living in high-cost states and cities around the country would be most impacted, because they already spend a disproportionately high percentage of their income on rent, even with the LIHTC program. This would also immediately stall the repair and construction of affordable homes in the hurricane-ravaged communities of Florida, Puerto Rico, Texas, and the U.S. Virgin Islands.

In addition to undermining access to healthcare and affordable housing, these tax bills also represent a grave threat to education and educational opportunity. At a time when the cost of higher education is increasingly out of reach and millions of Americans are struggling to pay their student loans, the House bill would repeal the student loan interest deduction. Over 12 million people currently take this deduction, which allows some taxpayers to lower their taxable income by $2,500 as they repay their loans.

This would particularly hurt students and graduates of color, because they have more student loan debt — black graduates have on average twice the student loan debt of white graduates.

The House bill would treat tuition waivers — which are typically tens of thousands of dollars — as taxable income. Most graduate students only receive a modest living stipend of $20,000 to $30,000 annually, and a tax increase of 300 to 400 percent on funds that they never receive would cause many of them to drop out of graduate programs or never apply. Because graduate students must typically work as research assistants or teaching assistants to receive their tuition waiver, this could create a national shortage among undergraduate course offerings and stymie critical research — particularly in STEM fields.

Despite all of these cumulative cuts to government programs and tax deductions relied on by low and middle-income Americans, both the House and Senate tax bills would also increase our federal deficit by well over $1 trillion dollars.

Yes, more than $1 trillion dollars — a number that's almost too large to fathom. That means that our federal debt would increase more than if we kept our current tax system, according to the Congressional Budget Office. And, because of the federal Paygo law, this increase in the deficit would automatically trigger cuts to a host of government programs, including Medicare. These substantial increases in our federal deficit would also pave the way for cuts to Social Security.

All in all, the Congressional Budget Office estimates that every single person earning below $75,000 per year will experience at least one year of net loss over the next 10 years, when they will either pay more in taxes, receive fewer services, or both. Unconscionably, the people hit the hardest will be the poorest — those making between $10,000 and $20,000 annually.

And, this is coming at a time of increasing economic inequality, when the U.S. is the most unequal nation in the world, with the top 10 percent holding 76 percent of the wealth. The middle class is also shrinking, with nearly half of Americans reporting that they do not even have $400 in savings to cover an unexpected emergency.

These disparities are even starker for people of color, who have a fraction of the wealth that white people do after decades of systemic racism. While the median white household has $111,146 in wealth, the median black and Latino household has, respectively, just $7,113 and $8,348. These tax bills will only exacerbate these racial disparities.

Not only do these tax bills harm the vast majority of Americans, they also weaken our economy. Arguably the time of greatest expansion of the U.S. economy was the long post-WWII boom, during which the government made major investments in housing, college affordability, infrastructure, science and technology, and healthcare. This enabled Americans to increase their consumer spending, which drives approximately 70 percent of our gross domestic product (GDP).

These tax bills would drive us in the opposite direction, shifting money from struggling and middle-class Americans to the wealthiest and corporations, neither of which would necessarily invest the money back into the economy.
The wealthiest Americans do not have any unmet needs, so their tax savings would simply go into financial investments. Indeed,over 400 millionaires joined together to ask Congress not to cut their taxes, stating that it would increase inequality and give them resources that they simply do not need. Corporations also do not need tax cuts. The nation's largest corporations have billions of dollars in cash on their balance sheets, indicating that they are not short on funds to invest in research and development or hiring new employees.

These tax bills will cut down on innovation and inventions that create new wealth and prosperity for everyone. The attack on graduate students' taxes would sharply reduce our STEM graduates, and U.S. competitiveness in medicine, science, and technology. The rise in inequality and lack of access to educational opportunities will cause us to lose a generation of potential innovators — particularly women and people of color — who weren't born into wealthy families.

But, there is still time to stop this dangerous bill from becoming law. Contact your Senators and Representatives now by calling the Capitol Switchboard at (202) 224-3121, and urge them to vote against this combined bill.

Going forward, ask your local, state and federal lawmakers to focus on laws and policies that actually grow the economy and create more opportunity for everyone — including raising the minimum wage to $15 per hour, creating career pathways to jobs that pay a living wage through apprenticeship programs and public-private partnerships, expanding the development of affordable housing in neighborhoods of opportunity, expanding access to college through grant programs and additional opportunities for loan forgiveness, and increasing access to credit — particularly for low-income people and people of color. Together, we can ensure that the U.S. truly lives up to its promise as the land of opportunity.

Bank of America: Affordable housing funding will grow tight in 2018

By: Kelsey Ramirez
December 19, 2017
Source: Housing Wire

Affordable housing remains a major concern going into 2018 as home prices rise and housing inventory decreases.

In order to assess the current state of affordable housing, and its direction next year, HousingWire brought in Bank of America Merrill Lynch Community Development Executive Maria Barry.

In the Q&A below, Barry explains the current state of affordable housing, what direction it could take next year, and some of its greatest barriers.

HousingWire: What is the current state of affordable housing? Why?

Barry: According to projections from Enterprise and the Joint Center for Housing Studies, more than one in four families who rent their homes – 11.4 million renter households in total – are "housing insecure," meaning they pay more than half of their monthly income on housing. The number of housing insecure renters in the U.S. has increased by 30% over the past decade. Even if rent growth matches income growth, the number of housing insecure renters is expected to increase by about 1.3 million households over the next decade – an increase of over 10%.

In the past few years, lower interest rates and access to capital also contributed to a growth in affordable housing.

HW: Will affordable housing improve in 2018? If so, how? If not, why not?

Barry: There is a real concern that funding will become more difficult in the next year. The low-income housing tax credit will continue to help finance affordable housing, however, tax reform may reduce tax credit values.

In addition, other potential cuts in the U.S. Department of Housing and Urban Development budget could have an impact on housing production and services. We are monitoring the potential impact tax reform may have on the industry and will know more in the coming days and weeks.

HW: What will be the greatest barrier to affordable housing moving into next year?

Barry: Tax reform may negatively impact tax credit values, and there is continued uncertainty around how these gaps will be filled.
The industry will have to find new solutions to reduce costs, such as more efficient construction, while relying on limited state and local funding sources to subsidize costs and make projects feasible.

State of U.S. rental market: Rich get more options, poor suffer affordability crisis

By: Patrick Sisson
December 14, 2017
Source: Curbed.com

According to a new Harvard Report, much of our rental stock is aging, and becoming more unaffordable for low-income renters. Shutterstock

While the American Dream may be homeownership, for more and more of us, the current American reality is renting. More than 43 million U.S. residents rent, according to the Census Bureau, growing at a rate double of what we saw just decades ago.
According to the newly released America's Rental Housing 2017, a deep dive into the country's housing market, the growing number of apartment dwellers are find a much more unequal market at play. The rich are getting more options, while affordability rises and the stock of affordable homes (and housing assistance) shrink

The intro to the report, penned by Harvard University's Joint Center for Housing Studies, is blunt. The housing market, which responded to a decade of broad-based growth and increasing apartment demand with a sharp increase of

high-end units, stoked the affordability crisis, where "part of the new normal emerging in the rental market is that nearly half of renter households are cost burdened."

The American rental market has reached the end of a wave, which started in 2004, when a sharp drop in national homeownership began, to now, when the past decade-plus of rising demand for rental units has finally cooled off. Increasingly, high prices and affordability challenges are the norm.

FIGURE 1

After a Decade of Expansion, the Pace of Growth in Renter Households Has Slowed

Note: Estimate for 2017 is the average of second- and third-quarter data.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey.

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017, www.jchs.harvard.edu. All rights reserved.

A tale of two rental markets

For high-end renters, who make up an increasingly larger share of renters, today's market is all about choices. If you walk through one of the hotter neighborhoods in your city, amazed that another high-end rental building is going up, you're not crazy. High-end units have been constructed at a furious pace to feed a growing customer base.

Since 2006, 2.9 million new renters making $100,000 or more entered the apartment market, many choosing to live in expensive downtown apartments. Over the last decade, 65 percent of new renter households in New York City, and 93 percent in San Francisco, brought home over $100,000 a year.

Since 2006, 2.9 million new renters making $100,000 or more entered the apartment market, many choosing to live in expensive downtown apartments. Over the last decade, 65 percent of new renter households in New York City, and

93 percent in San Francisco, brought home over $100,000 a year.

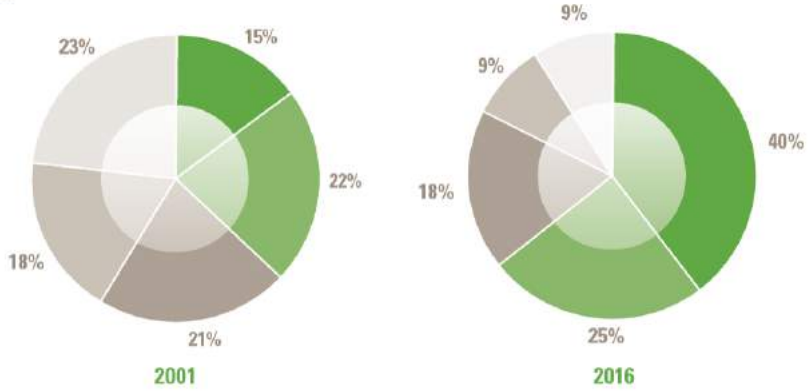
Developers, hungry to cater to this expanding high-end market, have, in part, helped fuel a price spike. Recent apartment construction has favored desirable central cities: between 2013 and 2016, nearly 60 percent of unfurnished new units were built in the principal metro areas of cities, a 10 percent jump from the previous decade.

Since land is limited in these desirable areas, land prices, costs, and ultimately rent, have gone up, explaining the 15 percent rental premium now seen between cities and suburbs. There are even strong signs developers overbuilt for this market segment: according to the Survey of Market Absorption, 10 percent of rentals completed in 2015 and priced at more than $2,450 remained vacant after 12 months. In contrast, only 2 percent of units with rents below $1,250 were still unfilled within one year.

FIGURE 2

Additions to the Rental Stock Are Increasingly at the Higher End

Share of Recently Built Units



Monthly Housing Cost

Under $650 | $650–849 | $850–1,099 | $1,100–1,499 | $1,500 and Over

Notes: Recently built units in 2001 (2016) were constructed in 1999–2001 (2014–2016). Monthly housing costs include rent and utilities and are in constant 2016 dollars, adjusted for inflation using the CPI-U for All Items Less Shelter. Data exclude vacant units and units for which no cash rent is paid.
Source: JCHS tabulations of US Census Bureau, 2001 and 2016 American Community Survey 1-Year Estimates.

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017, www.jchs.harvard.edu.

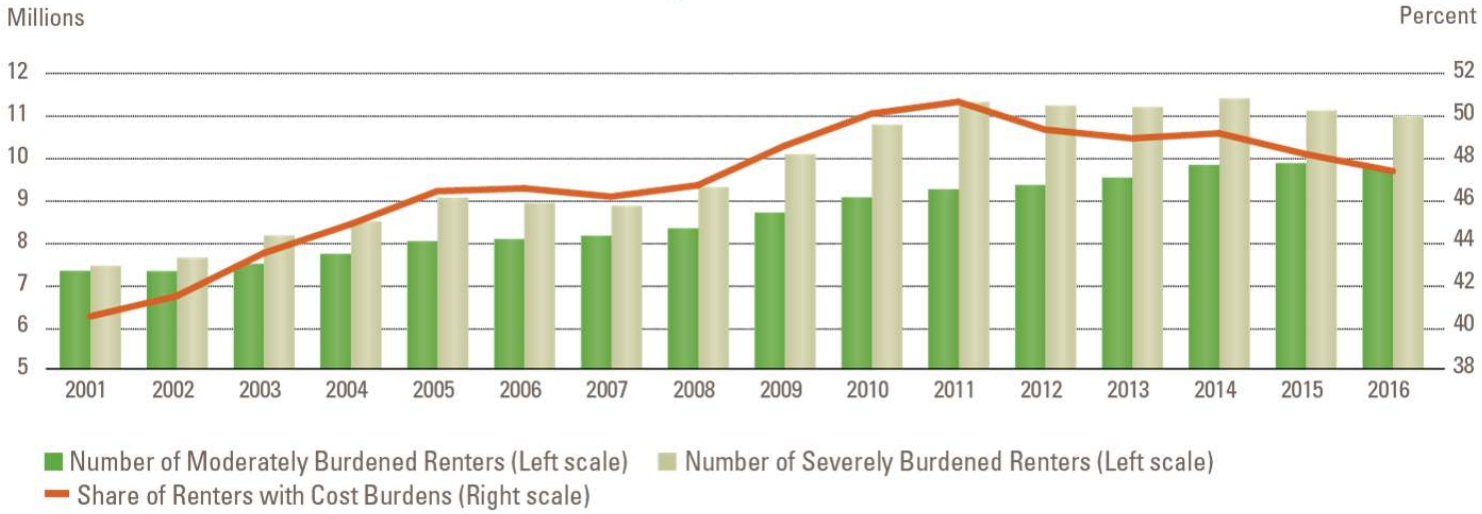
The focus on downtown helped boost the median asking rent for a new apartment 27 percent between 2011 and 2016, resulting in a nationwide average rent of $1,480 a month. That may seem reasonable or ridiculous, depending on where you live. But based on the standard measure of affordability—a household should spend 30 percent of income on rent—you'd need to make $59,000 a year to move into this average apartment, more than $20,000 more than what the average renter makes ($37,300).

Choices for the high-end of the market do not mean more choices for lower cost rental housing. Rising prices and demand has helped make life for low-income renters increasingly challenging. The share of units renting for $850 or less shrunk from 40 percent of the total supply to 20 percent of the total supply in the last decade.

The inequality between these groups of apartment dwellers has many causes, but a big one is construction cost. When it's harder to turn a profit, with land and labor costs skyrocketing—the price of vacant commercial land rose 62 percent between 2012 and 2017—it makes sense that the market would focus on expensive, amenity-laden buildings that can demand enough of a premium to cover costs.

FIGURE 5

Despite Recent Declines, the Number and Share of Cost-Burdened Renters Remain Well Above Levels a Decade Ago



Notes: Moderately (severely) cost-burdened households pay 30–50% (more than 50%) of income for housing. Households with zero or negative income are assumed to have severe burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017, www.jchs.harvard.edu.

Many Americans struggle to pay rent

Against a backdrop of rising rents, low-income households have seen more and more of their incomes go to their landlords. Wages haven't come close to keep pace with housing costs: between 2001 and 2011, median rental housing costs rose 5 percent, while median renter incomes actually dropped 15 percent. While the number of cost-burdened renters nationwide receded from a high mark of of 21.3 million in 2014 to 20.8 million in 2016, it's still higher than it's been for years. More recent statistics show low-income renters still may feel stuck, with their housing dollars covering less and less.

Over the last six years, increases in the median rent have exceeded inflation for non-housing expenses by one percent each year. And it's even worse in hot markets: median rents have risen at twice the national pace in cities such as Austin, Denver, and Seattle, where—to make it even more challenging—rent in low-cost neighborhoods has also risen a full percentage point more than in high-cost neighborhoods. If a low-income renter decided to move to a booming city to make more money, they'd likely come up against the harsh reality of surging housing costs. More than half of renter households in the country's nine largest metros are cost-burdened.

FIGURE 18

Additions to the Rental Stock Are Increasingly at the Higher End

Share of Recently Built Units (Percent)

Notes: Recently built units in 2001 (2016) were built 1999-2001 (2014-2016). Monthly housing costs include rent and utilities and have been adjusted to 2016 dollars using the CPI-U All Items Less Shelter. Rental units exclude vacant units and units where no cash rent is paid.
Source: JCHS tabulations of US Census Bureau, 2001 and 2016 American Community Survey 1-Year Estimates.

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017, www.jchs.harvard.edu.

What's even more imposing is just how much of many American's salary goes to rent each month. In 2016, the median renter in the bottom income quartile had just $488 per month to spend on other essentials, a full 18 percent less than in 2001, after adjusting for inflation. That means less to spend on food, medicine, and transportation (which costs more when you need to settle for a less expensive unit further from work). Renters in the lowest income group spend 17 percent of their incomes on utilities, while those in the highest-income households spend only 2 percent.

The increasing slice of family income going towards housing explains why, the median net worth of renter households, stuck on a treadmill of monthly rent, was only $5,000 in 2016, according to the latest Survey of Consumer Finances. Homeowners have a comparatively otherworldly net worth of $230,000 on average.

FIGURE 7

The Wave of Growth Since 2004 Has Lifted the Number and Share of Renter Households

Note: Estimate for 2017 is the average of second- and third-quarter data.
Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey.

Source: Harvard Joint Center for Housing Studies, America's Rental Housing 2017, www.jchs.harvard.edu. All rights reserved.

The government is doing less and less to help

It's not an exaggeration to call the lack of affordable housing a pressing problem, even a crises. But if you judged the federal government's response to this issue by its budget, you might get the opposite impression. The need for new affordable housing, and housing assistance, simply isn't being met.

The Department of Housing and Urban Development's own Worst Case Housing Needs 2017 Report to Congress did note that the number of very low-income households receiving rental assistance increased by 600,000 from 2001 to 2015. But during that same stretch, the number of very low-income households (making less than 50 percent of area median) grew by 4.3 million. That meant the share of the at-need population receiving aid fell from 28 to 25 percent. Concurrently, the number of households facing "worst-case needs," defined as putting more than half their paycheck towards rent and/or living in severely inadequate units, jumped from 34 to 43 percent.And sadly, due to both the rise of the low-income population in this country, and increased development costs for new housing, inadequate is a very accurate word for describing the nation's stock of affordable homes

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We're simply not repairing what we have. HUD estimates that 93 units are affordable for every 100 very low-income renters, but of these, only 54 are both available and adequate. The nation's public housing faces a deferred repairs backlog of $26 billion (last estimated in 2010, so it's likely much worse). Part of the reason it's so important to maintain our affordable public housing is that naturally occurring affordable units have been disappearing at an alarming rate.

Roughly 60 percent of the 15 million rentals affordable in 1985—8.7 million units—were lost by 2013, according to Hudson Institute research, due to permanent removals and demolitions, conversions, and gentrification.

It's also increasingly expensive to add new supply. An estimate from RS Means found the costs of building a simple, three-story apartment building, the type that has historically provided a lot of the existing affordable rental stock, jumped 8 percent from 2016 to 2017 alone, and between 2012 and 2017, the cost of construction labor, and contractor fees rose 25 percent.

FIGURE 9

...Particularly in High-Cost Metros Like New York, San Francisco, and Washington, DC

Growth in Renter Households, 2006–2016 (Thousands)

Note: Household incomes are in constant 2016 dollars, adjusted for inflation using the CPI-U for All Items.
Source: JCHS tabulations of US Census Bureau, 2016 American Community Survey 1-Year Estimates using the Missouri Census Data Center MABLE/Geocorr14.

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This lack of updates or additions means much of the affordable stock is what's charitably referred to as "naturally occurring affordable rentals," or older buildings that have often become cheaper due to aging and obsolescence. Only a fifth of existing units rent for under $850 a month, and nearly half of those were built before 1970. The lack of construction has meant our building stock as a whole is aging. The median age of an occupied unit in 2015 was 42 years, a stark difference from 1985, when the average age was 23.

While the price of construction materials is out of the hands of local policymakers, they do have a number of lever to pull to get more affordable units built: they can "determine the amount of land available for high-density development, the process needed to gain approvals, and the characteristics of housing that is allowed—all of which help determine the amount, type, and cost of the housing that is built," according to the report. While the affordable housing challenge has many causes, this report offers evidence that it should continue to be a top issue locally and nationally for years to come.

Digging Deeper into the Housing Affordability Problem

By: Katie Claflin
December 14, 2017
Source: TSAHC

Rental housing affordability continues to get worse. These are the general findings of two high profile reports we've covered in past On the House entries (click here and here to read them).

A new Freddie Mac study confirms the findings of these reports, but the scope and methodology of this study are a little different.

Instead of analyzing housing costs and incomes using national census data, the Freddie Mac study focuses only on a sample of housing units financed twice by Freddie Mac Multifamily, first in 2010 and again in 2016. The study includes the nine states, including Texas, where Freddie Mac financed the most rental units twice during this time period.

Measuring the affordability of the same apartments over the span of six years can provide both Freddie Mac and policy makers with a unique picture of what is happening to the affordability of individual units.

The Freddie Mac report confirms that, while affordability is decreasing among all income levels, it's the very low-income households who are feeling it the most. In 2010, 11.2% of units were affordable to very low-income households (defined as those earning up to 50% of the area median family income (AMFI)). By 2016, the percentage of units affordable to those same households had plummeted to 4.3%. The percentage of units affordable to low-income households (those earning between 50% and 80% AMFI) and median income households (those earning between 80% and 100% AMFI) also declined. In 2010, 82.5% of units were affordable to low income households, but by 2016 the percentage had dropped to 69.5%.

In 2010, 95.8% of units financed by Freddie Mae Multifamily were affordable to median income households. Compare this to 2016 in which the percentage of units affordable to median income households had decreased to 90.6%. In other words, the percentage of units that are unaffordable to median income households more than doubled –from 4.2% to 9.4%--between 2010 and 2016. Below are two additional takeaways that focus specifically on the Freddie Mac

Multifamily units financed in Texas:

- Texas has the highest number of units financed by Freddie Mac Multifamily. Texas had 28,533 apartments financed by Freddie Mac Multifamily in 2010 and again in 2016, comprising about 29% of the 97,061 total units included in the study.

- Texas' percentage of units affordable to very low-income, low-income, and median income households is also getting worse. In 2010, 10.2% of units financed in Texas were affordable to very low-income households, compared to only 3.2% in 2016.

The percentage of units affordable to low-income and median income households in Texas also declined between 2010 and 2016, from 84.2%% to 72.2% of units that are affordable for low-income households and 97.8% to 95.2% of units that are affordable to median income households.