Affordable Housing

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LIVE UNITED

How We Define Affordable Housing

While there are many ways to define affordable housing. For the purposes of this paper and in keeping with the federal definition, United Way of Olmsted County defines affordable housing as:

> *Housing for which the occupant(s) (renter/owner) does not pay more than 30% of yearly income on rent or mortgage and utilities. If there is more than one occupant, rent or mortgage and utilities should not exceed more than 30% of their combined income[1].*

Affordable Housing for the Working Poor in Olmsted County

While 30% of income is a commonly-accepted guideline for housing costs, in locations with increasing home values and a competitive rental market it means that those earning minimum wage may be unable or hard-pressed to find *naturally-occurring affordable housing.* For example, a household with two minimum-wage earners and two children would be allotted $1,003/month for a three bedroom home which is hard to come by in Rochester, MN.

> *As of February 8th, 2018 there only three rental options available for this hypothetical family (Zillow.com). And if they were to purchase a home and stay within their $1,003/month budget (including utilities, mortgage payment, mortgage insurance, and property taxes), the value of their affordable home is less than $90,000 (calculated via NerdWallet.com) which is typically unavailable in Rochester (search on Zillow.com).*

This indicates that many hard-working families in our community are burdened by the cost of their housing and that a job loss, medical emergency, or other financial crisis can threaten their ability to remain independently housed. For families with children, the additional cost of childcare makes the household even more vulnerable to income shocks:

> *For our hypothetical family above, the estimated cost of childcare is equal to that of housing: $1,003/month* (Glasmeier, 2018)*. This means that fully 60% of their income is consumed by non-negotiable*

[1] It is significant to note that the price that is considered affordable changes based on income. Community-level conversations around affordable housing focus on the median household income, which is approximately $65,000 per year (US Census Bureau, 2016) – this would translate to $1,625 a month to spend on housing. As United Way aims to serve families facing financial instability, we focus on those earning minimum wage.

expenses, and that the remaining $1,340 must be stretched to cover recurring food costs, medical expenses, transportation, and taxes in addition to any emergency situations that arise.

These calculations were done using the 30% of household income rule. If we were to use the 30% of median income rule (which is typically used in community-level conversations), this family's available spending after housing and childcare is $715 a month. This means that even though the housing is considered 'affordable' they are still encountering a housing burden. For this reason, our organizational definition of affordable housing is **not** based on median income.

History of the Affordable Housing Concept

Since the 1930s, there has been interest in providing interventions that make housing affordable. The first (and for a number of years, only) solution was public housing which was introduced in the United States Housing Act of 1937. This movement was designed to assist families after the Great Depression, and the mission was to sustain the rapidly shrinking lower-to-middle class by restricting tenants' housing costs to 30% of household income. Through the years, the public image of high-density public housing has changed numerous times – with the trend being that the wider community has begun to view public housing as concentrated poverty which encourages crime. While high-density public housing still exists, there is significant resistance to building new units and the units that already exist often maintain extensive waitlists. These waitlists are often so long that it closes to new applicants, such as is the case in Olmsted County.

Scattered-site housing is a housing strategy which functions similar to public housing but scatters affordable, low-density units throughout middle-income neighborhoods. This strategy emerged in the 1960s and 70s in response to prominent lawsuits which held that high-density public housing was a form of racial segregation. Most scattered-site housing adheres to the '30% of income' rule and has income-based eligibility requirements. These sites may be administered by public or nonprofit entities. This strategy often garners more public support than high-density sites largely because it is less visible, and neighbors may even be unaware that a given unit is subsidized housing.

Vouchers are one of the primary affordable-housing strategies currently used in the United States – the most well-known program is known as Section 8. Unlike public housing, there is no requirement that a recipient of the voucher reside in a particular housing unit. Rather, they can use the voucher to make their desired housing unit affordable for them, as long as the landlord accepts vouchers. In practice, high-density buildings that accept Section 8 are often seen by the public as being equivalent to public housing despite being administered by an independent landlord rather than local government.

Homelessness

Homelessness can affect outcomes in virtually every area of social and human services. In a very basic sense, the family or individual is facing significant challenges in fulfilling the first level of Maslow's Hierarchy of Needs: biological and physiological needs. This level encompasses food, drink, sleep and shelter. According to theory, a person who cannot fully meet these basic needs is unable to address questions of safety, belongingness, esteem, and self-actualization (Maslow, 1943). When faced with homelessness or the threat of homelessness, questions about gaining employment, maintaining health, and remaining safe can quickly take a backseat to answering the question *where am I sleeping tonight? How am I paying the rent? What can I cut this month in order to make the mortgage?*

In Olmsted County, individuals paying more than 30% of income to housing are twice as likely to self-report poor health when compared to their peers without a housing burden. Housing burden disproportionately affects the young (aged 18-34), households with children, and those who self-identify as nonwhite (Olmsted County Public Health Services, Olmsted Medical Center, Mayo Clinic Rochester, 2016).

Addressing Housing Burden

For an individual or family, housing burden can be challenging to address due to cliff effects. For example, our hypothetical family of four with both adults earning full-time minimum wage would be eligible for housing assistance in the form of Section 8 housing vouchers, but if their income increases to $51,000 they will lose their voucher. This translates to an income increase of $11,000 and an expense increase of $12,000 – they are in fact no better off (Children's Defense Fund).

A family that is 'barely making it' may be able to pay their rent or mortgage in months without crises, but face a threat to their housing any time family members encounter health, employment, or transportation challenges.

Their income may be too high to qualify for county, state, or federal assistance that would protect them from these shocks, but they may be unable to make the financial investment needed to gain the education necessary to earn an increased wage. Therefore, the family remains on the edge of homelessness despite being gainfully employed.

Sources:

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