



Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

July 2015 • Volume VI • Issue VII

Published by Novogradac & Company LLP

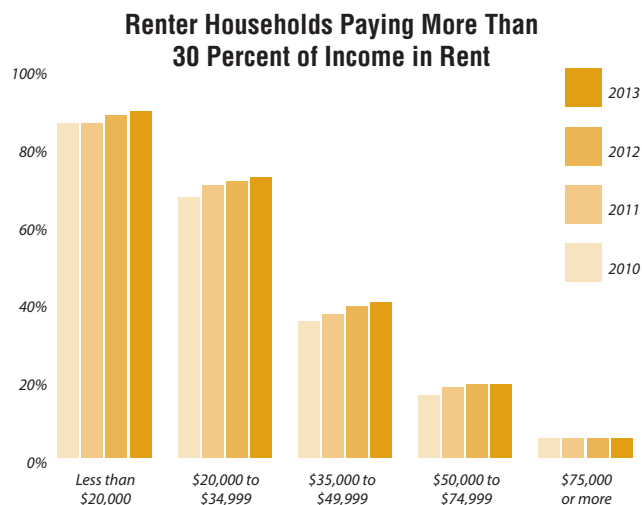
Low-Income Households Face Greater Risk of Homelessness

DAVID GRUBMAN

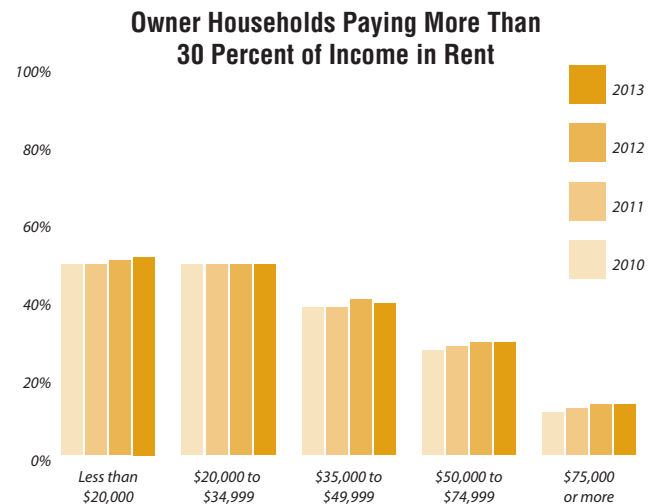
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The National Coalition for the Homeless identifies housing cost as a primary driver of homelessness in the United States. The coalition’s website states: “Housing represents the fundamental base-solution to the problem of homelessness, with the lack of affordable housing and the limited scale of housing assistance programs contributing to the current housing crisis and to homelessness. The lack of affordable housing has led to high rent burdens, overcrowding and substandard housing, which has not only forced many people to become homeless but has also put a growing number of people at risk of becoming homeless.”

Households earning less than \$20,000 annually make up approximately 15.9 percent of total households in the United States, according to the latest American Community Survey



Source: American Community Survey 5-year Estimates; Novogradac & Company LLP



Source: American Community Survey 5-year Estimates; Novogradac & Company LLP

data. A single-earner household working a minimum wage job falls into this category, with an approximate annual wage of \$15,080. Households in this income cohort are at greater risk of homelessness, especially in households with one major earner and a dependent.

The U.S. Department of Housing and Urban Development (HUD) considers any household paying more than 30 percent of its income in rent is considered “rent overburdened.” Data suggests that renter households earning less than \$20,000 are paying significantly more than 30 percent in rent. Approximately 89 percent of all households in this income band are paying more than 30 percent of their income in rent, and this figure is growing in recent years.

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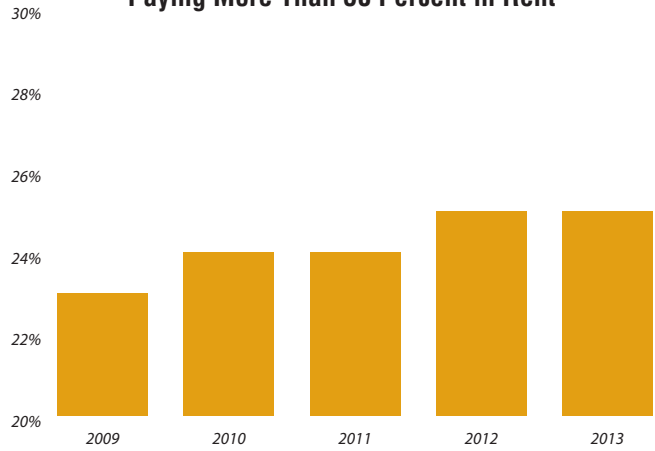
Owner households have a significantly different plight in terms of housing costs. Housing costs for homeowners are distributed more evenly and are not clustered toward the lower-income populations.

These trends exist consistently throughout the country. The National Low-Income Housing Coalition (NLIHC) estimates that in every state, at least 60 percent of all residents who earned less than 30 percent of the area median income (AMI) paid more than half their income on rent and utilities.

In its March 2015 Housing Spotlight newsletter, the NLIHC also reports that “among the 10.3 million [extremely low-income] ELI renter households [nationwide], 4.1 million were deeply low-income [DLI]. For DLI renters, affordable rental housing was scarce. There were just 2.4 million rental units affordable to this income group in 2013. In addition, 90 percent of DLI households were paying more than half of their income on housing costs. Households paying more than 50 percent of their income toward housing costs are considered severely housing cost burdened, and for these households, an unforeseen expense, such as a car repair, can turn into a financial disaster. Severely cost-burdened households, with little ability to build a financial cushion, are at risk of becoming homeless.”

Severely-renter overburdened households comprise approximately 25 percent of all renter households. Since 2009, the figure has been steadily rising, according to ACS estimates.

Renter-Occupied Housing Units — Paying More Than 50 Percent in Rent



Source: American Community Survey 5-year Estimates; Novogradac & Company LLP

It is clear housing costs are a primary reason for homelessness. Rent-overburdened rental households represent the largest at-risk demographic. Over the last five years these households have been paying an increasing amount of their income in rent. This trend is likely to continue, and will be exacerbated in larger metro areas with higher rents.

The National Housing Trust Fund (NHTF) will be used to fund rental housing and could provide assistance for households who are at risk of homelessness. Its primary goal is to target households earning 30 percent or below area median income. The NHTF will distribute its first funds to state agencies in 2016. ❖

This article first appeared in the July 2015 issue of the Novogradac Journal of Tax Credits.

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ISSN 2152-646X