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NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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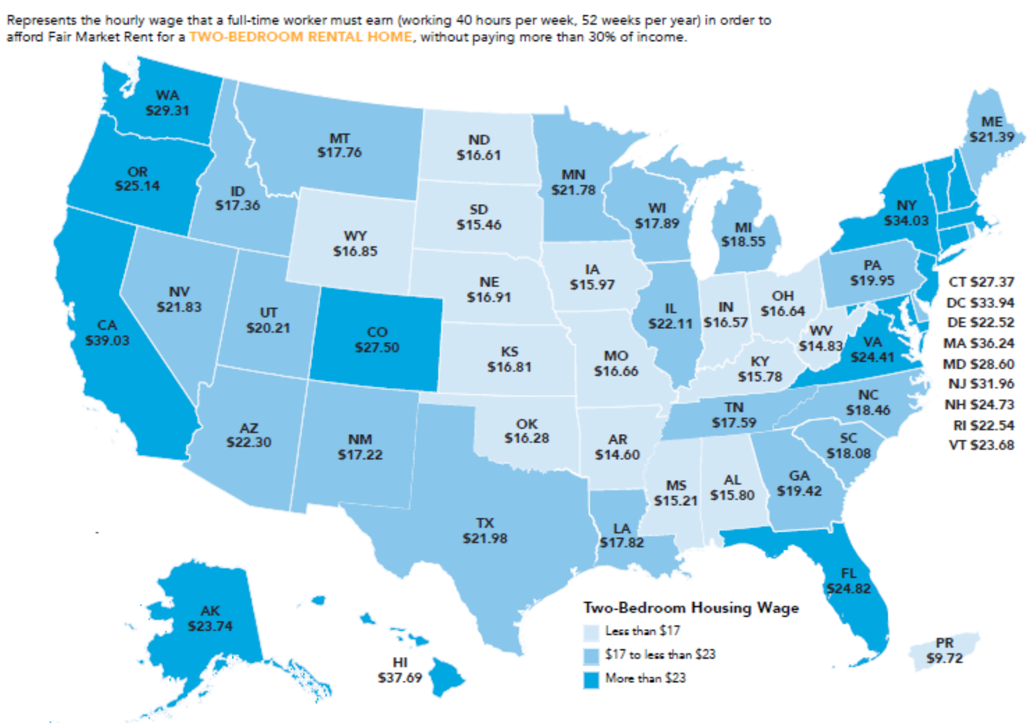
A Review of the NLIHC Report: "Out of Reach 2021: The High Cost of Housing"

Executive Summary

The National Low Income Housing Coalition's *Out of Reach 2021: The High Cost of Housing* is an annual report that quantifies the difference between the average price of a safe, decent, and affordable rental home and how much an average full-time worker and average low-wage worker would have to earn to afford that home. Prior to the onset of the COVID-19 pandemic, living in an affordable rental home was not an option for many low-income families and low-wage workers. The 2021 National Housing Wage, or what an average full-time worker would need to earn to afford a rental home without spending more than 30 percent of their income on housing, is $24.90 per hour (for a two-bedroom) and $20.40 per hour (for a one-bedroom). Based on the average federal minimum wage ($7.25 per hour), an average minimum-wage earning renter would have to work 97 hours a week to afford rental payments on a plain and simple, two-bedroom home. That same minimum-wage earning renter would have to work 79 hours per week to afford a normal, one-bedroom home. In contrast, to afford a basic, two-bedroom home the average renter must work 53 hours per week. The



contrast is stark—but so are the similarities. In every single state, the average minimum-wage renter is unable to meet their housing obligations without working more than the average full-time 40 hours per week (see graph above).

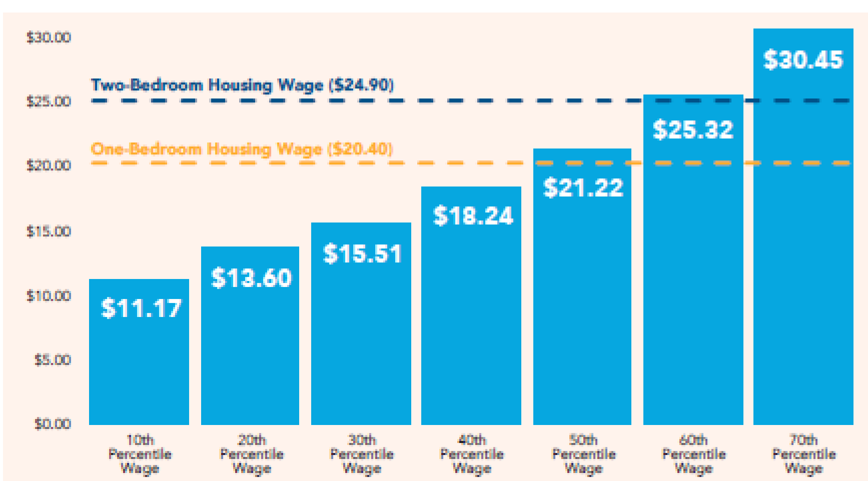
With the pandemic still ravaging much of the country, the housing crisis that many renters face today continues to be dire. The COVID-19 pandemic and the economic shutdowns left a population that was already struggling to make ends meet teetering on the brink of financial collapse and facing possible eviction. The report describes how the inability of many low-wage workers and low-income families to meet their housing obligations is largely due to housing costs having outpaced wage increases. Families of color have been disproportionally impacted, with Black and Latino workers earning less than white workers and experiencing higher levels of unemployment. The result being that these populations are more likely to encounter and experience challenges to accessing and maintaining a safe, decent, and affordable home.

Without additional assistance from Congress, many low-wage workers and low-income families will continue to struggle to afford staying in their homes. Additional measures, such as further expanding rental assistance to all eligible renters while making sustained investments in the preservation, rehabilitation, and construction of new affordable housing will continue to be needed. Other measures, such as strengthening renters' protections and calls for the creation of a National Housing Stabilization Fund to temporarily assist renters facing possible evictions were highlighted as possible remedies.

- **Low-Wages and the Unaffordability of Rental Housing**

Report findings show low-wage workers experienced the hardest financial shock during the height of the COVID-19 induced economic shutdowns, with many having their working hours reduced while others were laid off from their jobs.

While the current economic struggles experienced by low-wage workers are dire, many workers had struggled with meeting their rental payments even prior to the start of the COVID-19 pandemic. For the bottom half of all wage earners, affording a simple home is just not feasible (see graph). According to the NLIHC report, "the inflation adjusted lowest hourly wage grew by only 6.5 percent between 1979 and 2021. In contrast, wages for the highest-paid workers grew by 41.3 percent during the same time span. For Latino workers at the



Source: Housing wages based on HUD fair market rents. The hourly wages by percentile from the Economic Policy Institute State of Working America Data Library 2020, adjusted to 2021 dollars.

10th percentile inflation adjusted hourly wages fell, as did the median hourly wages for Black and Latino men."

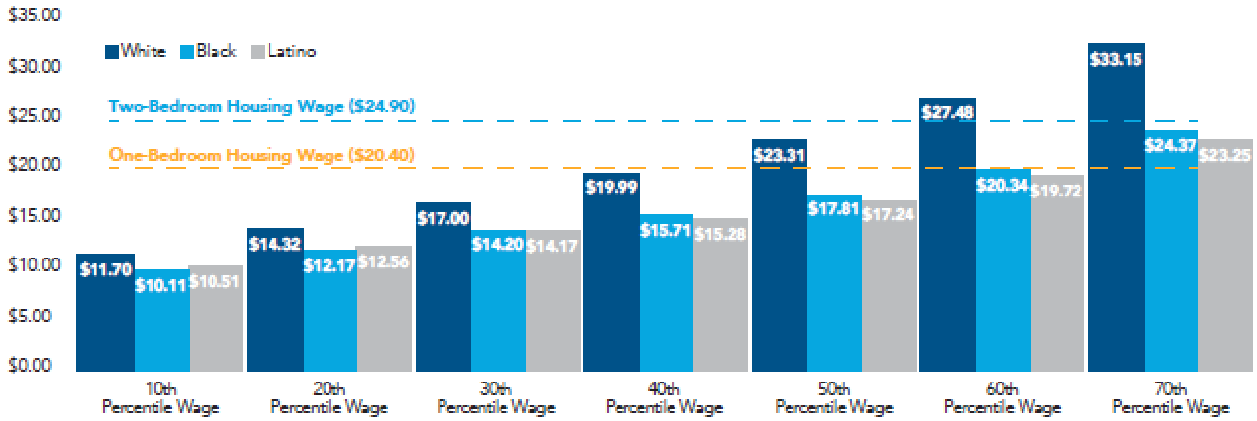
There are several explanations for these downward trends in wages, including a gradual, 40 year-long reduction in production and manufacturing jobs. This coincided with an increase of lower skilled, lower-paying service sector jobs. No-skill and low-skill service sector positions were much more likely to have experienced lay-offs or reduced wages during the economic shutdowns. By the end March 2021, the report estimates that almost 14 million renter households earning less than $50,000 per year had their earnings reduced. Even now, a year and half after the start of the pandemic, nearly 25 percent of households are still relying on borrowing from friends and family to help make ends meet. In the last 40 years, wages for high-educated workers rose and wages for non-college graduated workers fell. Today, these lower wages make it almost impossible for a family to find stability economically now and in the future -- whether saving up for a child's college fund or for next month's rent.

This is compounded by the fact that median renter household wealth has been greatly outpaced by rising median gross rents, spiking considerably over the last 20 years. It is hard to understand how low-wage families will be able to erase their accrued rental payments, as well as other costs that contributed to their debt, without benefitting from further financial assistance. Currently, there are about 10 million low-wage and low-income renter families who are extremely rent burdened, meaning they spend more than half of their earned income on housing payments. This creates a troubling scenario where a family must weigh their debts and choose where to allocate what little earnings they have. Several decades of reduced wages combined with the current health and economic crisis indicate that even if the economy recovers to pre-pandemic levels, low-wage workers will continue to struggle and experience further housing instability.

For most working families, affordable housing is usually out of reach because rents have risen much faster than wages. Even when factoring in those states that have increased their minimum wage above the federal minimum wage, no low-wage worker in America can afford the cost of a modest, two-bedroom rental home working the average 40-hour work week. North Dakota seems to be the outlier, where an average renter can afford a modest, two-bedroom rental home payment working the average 40-hours per week. For a modest, one-bedroom home, only half of the states having housing options for an average renter where they meet their rental obligations on time and in-full. There are several factors outside of employment that also contribute to housing instability, such as families having an elderly member who is not part of the work force, having a member of the household with a disability, being a single parent, or attending school while also working.

- **People of Color Disproportionately Harmed**

According to NLIHC's findings, recent data provides evidence of existing racial disparities when analyzing which renters can afford their monthly housing payments based on income. For example, 3.5 percent of White worker and 2.3 percent of Asian worker who were in the labor market for at least 27 weeks are considered working poor. That's compared to 7 percent of Latinos and 7.2 percent of Black workers. When examining hourly wage distributions, according to the report, Black and Latino workers tend to earn much less at the bottom of their hourly wage distributions than White workers at the bottom of the White income distributions. Unfortunately, this disparity is evident along all income levels. The average Black worker earns 24 percent less and the average Latino worker earns 26 percent less than the average White worker. This helps explain why a median-wage Black or Latino worker cannot afford a one-bedroom rental home at fair market rent, but a White median-wage worker can (see graph below).



Source: Housing wages based on HUD Fair Market Rents. The hourly wages by percentile from the Economic Policy Institute State of Working America Data Library 2020. Adjusted to 2021 dollars.

When looking at historical employment trends, Black and Latino workers have experienced higher unemployment rates than the unemployment rate for White workers. However, the wave of shutdowns in the spring of 2020 created additional financial hardships. While the overall unemployment rate fell to 6.7 percent by the end of 2020, the 9.9 percent unemployment rates for Black workers and the 9.3 percent Latino unemployment rates were still considerably higher than the rate for Whites. It's also estimated that the general unemployment rate for workers in the very bottom wage quartile may have been higher than 20 percent. By March 2021, 39 percent of White adults had experienced a loss of household income, compared to 49 percent of Black adults and 58 percent of Latino adults. In April of 2021, one year after the start of the economic shutdowns, 43 percent of Latino renters and 35 percent of Black renters stated they had no confidence or only slight confidence when asked if they would be able to make their housing rental payments – compared to 17 percent of White renters.

The report observes that the unaffordability of the rental housing market disproportionately harms Black and Latino households because they are more likely (at all income levels) to be renters. But the greatest harm stems from the unmet housing needs of those who are extremely low-income and people of color. These renters are more likely to be exposed to the pandemic and become infected, are much more likely to lack access to sufficient healthcare and are much more exposed to job loss and income reductions. Only 6 percent of White renter households are extremely low-income compared to 10 percent of Asian renter households, 14 percent of Latino renter households and 20 percent of Black renter households. For low-income families and renters of color, additional assistance is needed for these households to continue living in their homes for the duration of this year and the coming year.

- **Persistent Shortage of Affordable Housing**

Prior to the start of the COVID-19 pandemic, finding an affordable rental home was already difficult for most average renters and a downright struggle for low-wage workers and low-income families. Today, for every 100 renters with extremely low incomes, only about 37 affordable homes are available at any given time. While constraints on supply coupled with substantial losses of low-cost rental homes contributed to the rise in cost and decrease in the availability of the affordable rental stock, the supply of affordable housing for low- and extremely low-income families continues to be limited or non-existent. The economic shocks that the economy suffered during the shutdowns created a perfect storm where demand for affordable housing increased as homeowners struggling to make their mortgage payments looked at renting as a cheaper option. This, in turn, caused rents to increase at lower-cost properties, putting further strain on already struggling low-income families and low-wage renters.

Today, no state has an adequate supply of affordable rental housing, and the lack of affordable housing has a disproportionate impact on low-wage workers and their families – pushing them deeper into debt and poverty. The report observes that the private market did not adequately provide a sufficient supply of affordable housing for low-income renters prior to the start of the pandemic. Indeed, more than half of all the new rental housing constructed before 2020 was intended for the highest income brackets. With no access to affordable housing, 85 percent of extremely low-income renters could not meet their monthly rental obligations in 2020 and 70 percent reported that they spent more than 50 percent of their incomes on housing costs.

- **Policy Recommendations**

While acknowledging the help that many renters have been given from federal and state emergency rental relief measures, NLIHC concludes that without a sustained commitment from Congress, millions of low-wage workers and low-income families will continue to experience long-term rental affordability challenges. There are several policy recommendations for Congress to undertake, including providing greater rental assistance, increasing the affordable housing supply while preserving the current stock, and establishing greater protections for renters.

Specifically, NLIHC recommends Congress provide universal rental assistance through the Housing Choice Voucher program, and expand the Housing Trust Fund to preserve, rehabilitate and construct new affordable housing. Congress should also create a National Housing Stabilization Fund to provide temporary emergency financial relief to families facing a sudden emergency that prevents them from making their full rental payments on time, and prohibit housing discrimination through source of income, along with greater enforcement of the Fair Housing Act, according to NLIHC.

NAHMA supports additional measures, included in the Administrations Build Back Better agenda, to help increase the supply of affordable housing. Specifically, NAHMA supports the Administrations recommendation for Congress to expand the Housing Credit, provide $35 billion in funding for the HOME program and $37 billion for the Housing Trust Fund, as all programs provide critical resources for the preservation of current housing and construction of new units.

NAHMA also supports the Administration recommendations for Congress to provide $15 billion for the PBRA program, which would include funding for new PBRA contracts to assist an estimated 260,000 units, and $4 billion to preserve and improve safety conditions in properties receiving Section 8 project-based rental assistance. Additionally, $1 billion should be provided for Section 811 to provide assistance to an estimated 111,000 units. For Section 202 Supportive Housing for the Elderly programs, NAHMA suggests Congress provide $2.5 billion in funding, which would create an estimated 37,500 additional elderly units.

NAHMA also believes Congress should provide $75 billion to fund incremental expansion of Housing Choice Vouchers to assist individuals and families experiencing or at risk of homelessness, and survivors of domestic violence, dating violence, sexual assault, stalking and human trafficking.

In addition, NAHMA recommends providing additional rural rental assistance to eligible households and supports the Administration's request for Congress to provide $4.8 billion for USDA Section 515 Rural Rental Housing and Section 514/516 Farm Labor Housing programs to preserve over 89,000 units.

NAHMA also supports as increased funding for service coordinators, broadband expansion, energy efficiency upgrades and family self-sufficiency programs.

Without additional help from Congress, many low-wage workers will continue to fail to meet their monthly rental payments in the months to come and housing affordability will continue to remain out of reach for millions of low-wage Americans. While overall Congressional action remains unclear on these policy recommendations, NAHMA will continue to advocate for preserving and increasing the affordable housing supply.