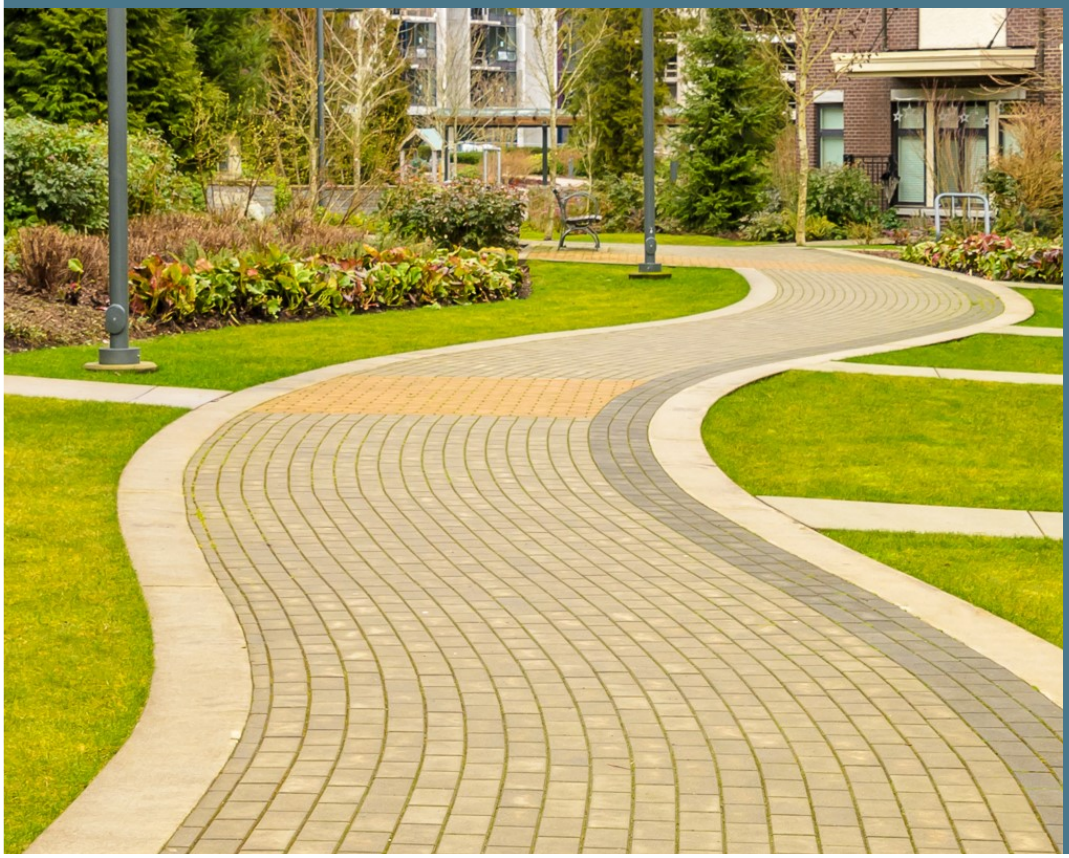
CHAPTER 3



Housing **Element**

OF THE COMPREHENSIVE PLAN (2016 to 2036)

HOUSING ELEMENT VISION: *The City of Mount Vernon is a welcoming community, characterized by a home-town atmosphere, with diverse housing options available to a full spectrum of its residents throughout their lives. Mount Vernon strives to meet a high standard of livability with a mix of home ownership and rental opportunities and is committed to protecting and improving existing residential neighborhoods, balancing new development with the rehabilitation of existing housing, and ensuring that residents have opportunities to work near their homes without having to commute long distances.*

Adopted September 14, 2016 with Ordinance 3690

City of MOUNT VERNON

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MAPS:

City of MOUNT VERNON

ACKNOWLEDGEMENTS

Thank you to the City Councils, Planning Commissions and Citizens from 1960 to the present that have contributed to comprehensive planning efforts of the City. This Housing Element is built upon the foundation of these original plans.

2016 MAYOR & CITY COUNCIL:

Jill Boudreau, Mayor

Joe Lindquist, Ward 1

Ken Quam, Ward 1

Mark Hulst, Ward 2

Gary Molenaar, Ward 2

Bob Fielder, Ward 3

Mary Hudson, Ward 3

Dale Ragan, At-Large

2016 PLANNING COMMISSION:

Shelley Acero

Christopher Bollinger

Fred Clark

Al Lyon

Adair Orr

Thomas Waller

STAFF AUTHOR:

Rebecca Lowell, City Planner

INTRODUCTION

This Housing Element recognizes the vitality and character of established residential neighborhoods and documents the City has sufficient land for housing to accommodate a range of housing types over the next 20-years. Consistent with the Growth Management Act (GMA), the goal is that Mount Vernon contains a diversity of housing types to enable citizens from a wide range of economic levels and age groups to live here, and to ensure an adequate supply of affordable and attainable housing. This Element strives to balance the communities desire to keep their small town character while grappling with the complex issues of housing affordability and the changing trends of how residents wish to live.

1.0

PURPOSE & FRAMEWORK

Consistent with State law, local governments planning under GMA must prepare a Comprehensive Plan Housing Element that:

"[ensures] the vitality and character of established residential neighborhoods that: (a) includes an inventory and analysis of existing and projected housing needs that identifies the number of housing units necessary to manage projected growth; (b) includes a statement of goals, policies, objectives, and mandatory provisions for the preservation, improvement, and development of housing, including single-family residences; (c) identifies sufficient land for housing, including, but not limited to, government-assisted housing, housing for low-income families, manufactured housing, multifamily housing, and group homes and foster care facilities; and (d) makes adequate provisions for existing and projected needs of all economic segments of the community" [RCW 36.70A.070(2)].

To meet the above-referenced GMA requirements this Element is organized into the following Sections:

1.0 PURPOSE & FRAMEWORK

2.0 POPULATION AND HOUSING DATA

3.0 SOCIAL AND DEMOGRAPHIC DATA

4.0 INCOME AND POVERTY DATA

5.0 SPECIAL POPULATIONS

6.0 HOUSING AFFORDABILITY

7.0 SUMMARY AND ANALYSIS

8.0 RECOMMENDATIONS

9.0 GOALS, OBJECTIVES & POLICIES

This document examines the City's existing housing stock, inventories its conditions, and demonstrates how a range of housing types for different economic segments can be accommodated. The City is not required to build housing units, but to allow and encourage the construction of housing by private and public entities through the City's plans and regulations.

Historic data has been included throughout this Element because it provides context in which the City's decision makers can gage changes over time and to assist in identifying drivers of change.

1.1 SETTING

The City of Mount Vernon is the largest incorporated city in Skagit County in both population and land area. Mount Vernon is the county seat housing nearly a quarter of the county's total population. Interstate-5 along with State Routes 536 and 538 traverse the City making it an easily accessible location for both people and businesses.

Mount Vernon is the home of the County's courthouse, jail and administrative buildings as well as the City's administrative offices, the Skagit Valley Hospital, and the Skagit Valley Community College. The City's location, its service oriented downtown, and the existing population and density mean that it is the logical place for a myriad of social service providers. As the largest urban center in the County, it provides a variety of urban amenities such as shopping opportunities, public services, and a mixture of housing types that are attractive to current and future residents.

Map 1.0 shows the City's jurisdictional boundary and its location regionally. **Maps 2.0** and **3.0** identify the City's Census Tracts that will be discussed and referenced throughout this Element.

1.2 FUTURE GROWTH

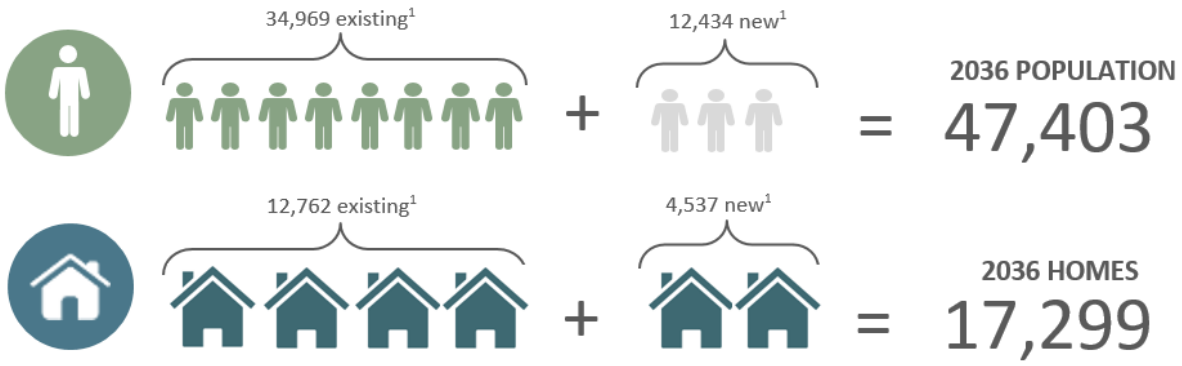
The City has been tasked to accommodate 12,434 new residents which equates to approximately 4,537 new homes. The conversion from future population to future homes is done with an average household size of 2.76 that is taken from the 2010 U.S. Census.

The Land Use Element (Chapter 2) provides further details with regard to the methodology by which the overall growth was determined and the process by which these growth numbers are adopted through a multi-jurisdictional process.

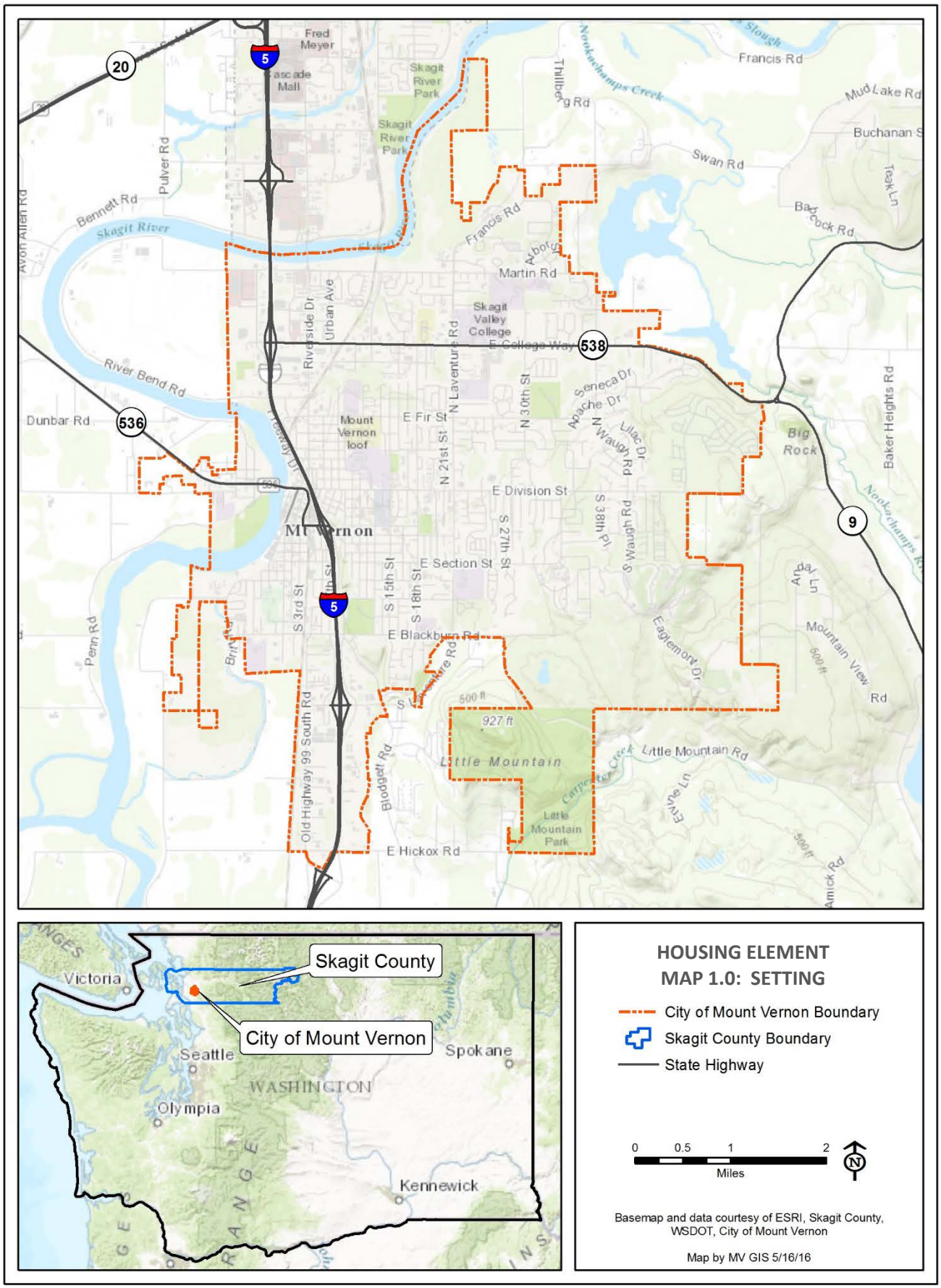
The Land Use Element (Chapter 2) in conjunction with its Buildable Lands & Land Capacity Analysis shows that the City is able to accommodate the projected growth identified in **Table 1.0** over the 20-year planning timeframe without having to up-zone areas or amend the City's development regulations.

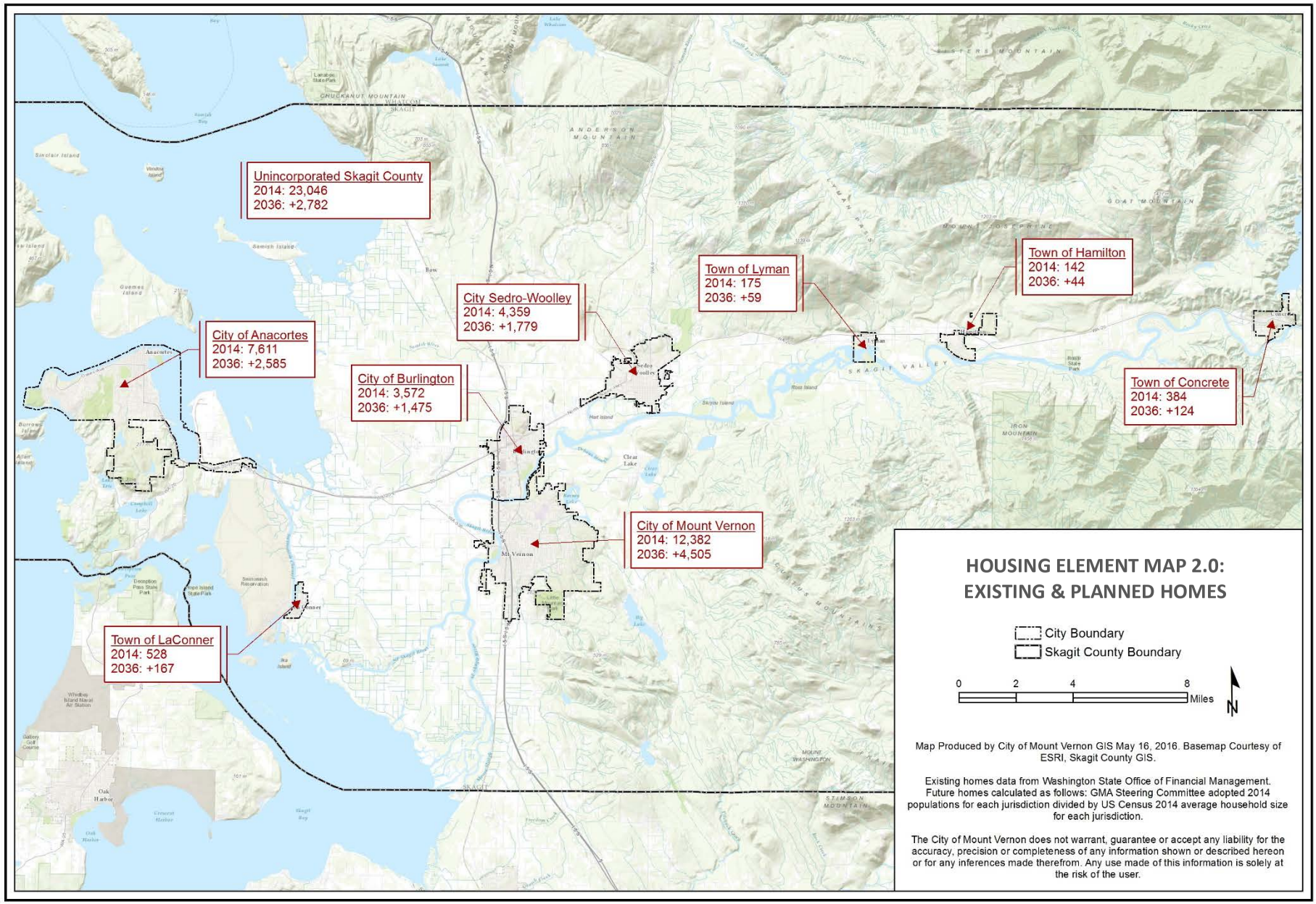
Map 4.0 shows the existing and 20-year forecasted housing units that unincorporated Skagit County and all of the cities and towns are planning to accommodate.

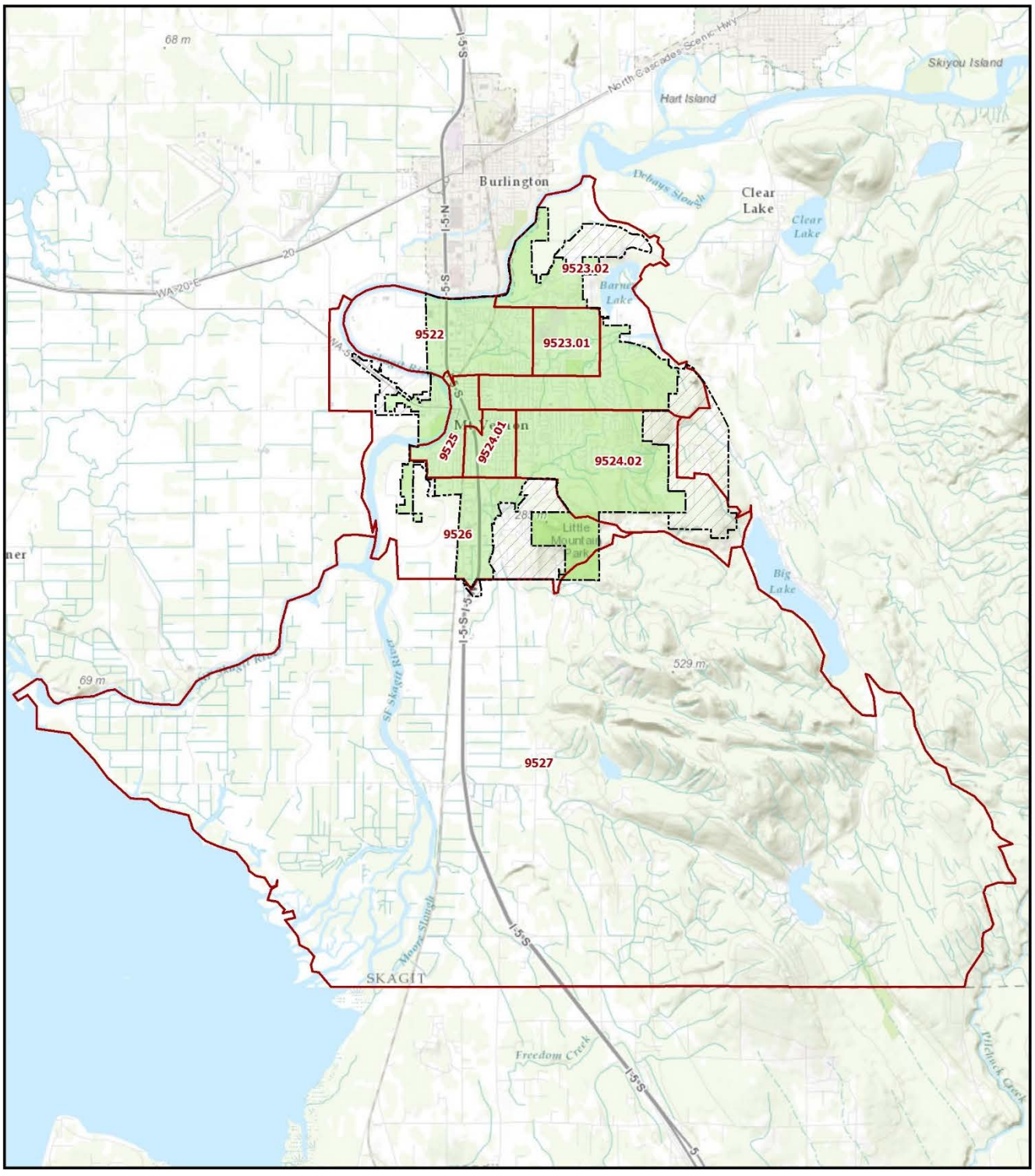
TABLE 1.0: EXISTING AND FUTURE POPULATION & HOUSING[1]



[1] BERK Consulting Inc. *Skagit County Growth Projections*. July 2014. p. 4


Skagit County
City of Mount Vernon
Victoria
Seattle
Spokane
WASHINGTON
Olympia
Kennewick
HOUSING ELEMENT
MAP 1.0: SETTING
City of Mount Vernon Boundary
Skagit County Boundary
State Highway
0 0.5 1 2
Miles
N
Basemap and data courtesy of ESRI, Skagit County, WSDOT, City of Mount Vernon
Map by MV GIS 5/16/16
Fred Meyer
Cascade Mall
Skagit River Park
Francis Rd
Mud Lake Rd
Buchanan
Swan Rd
Bennett Rd
Pulver Rd
Skagit River
Martin Rd
Skagit Valley College
E College Way
538
River Bend Rd
Dunbar Rd
536
Mount Vernon
E Fir St
E Division St
E Section St
E Blackburn Rd
Little Mountain
927 ft
Little Mountain Rd
Little Mountain Park
E Hickox Rd
Old Highway 99 South Rd
Riverside Dr
Urban Ave
N Laventure Rd
N 30th St
N 21st St
S 27th St
S 38th Pl
S 3rd St
S 15th St
S 16th St
Seneca Dr
Apache Dr
N Waugh Rd
Lilac Dr
Big Rock
Baker Heights Rd
Nookachamps Creek
Thilberg Rd
Teak Ln
Bay Rock Rd
Eagremont Dr
Mountain View Rd
Penn Rd
Bridge Way
Blodgett Rd
Carpenter Creek
Amick Rd
9
5
20


Unincorporated Skagit County
2014: 23,046
2036: +2,782
City of Anacortes
2014: 7,611
2036: +2,585
City of Burlington
2014: 3,572
2036: +1,475
City Sedro-Woolley
2014: 4,359
2036: +1,779
Town of Lyman
2014: 175
2036: +59
Town of Hamilton
2014: 142
2036: +44
Town of Concrete
2014: 384
2036: +124
City of Mount Vernon
2014: 12,382
2036: +4,505
Town of LaConner
2014: 528
2036: +167
HOUSING ELEMENT MAP 2.0:
EXISTING & PLANNED HOMES
City Boundary
Skagit County Boundary
0 2 4 8 Miles
N
Map Produced by City of Mount Vernon GIS May 16, 2016. Basemap Courtesy of ESRI, Skagit County GIS.
Existing homes data from Washington State Office of Financial Management. Future homes calculated as follows: GMA Steering Committee adopted 2014 populations for each jurisdiction divided by US Census 2014 average household size for each jurisdiction.
The City of Mount Vernon does not warrant, guarantee or accept any liability for the accuracy, precision or completeness of any information shown or described hereon or for any inferences made therefrom. Any use made of this information is solely at the risk of the user.

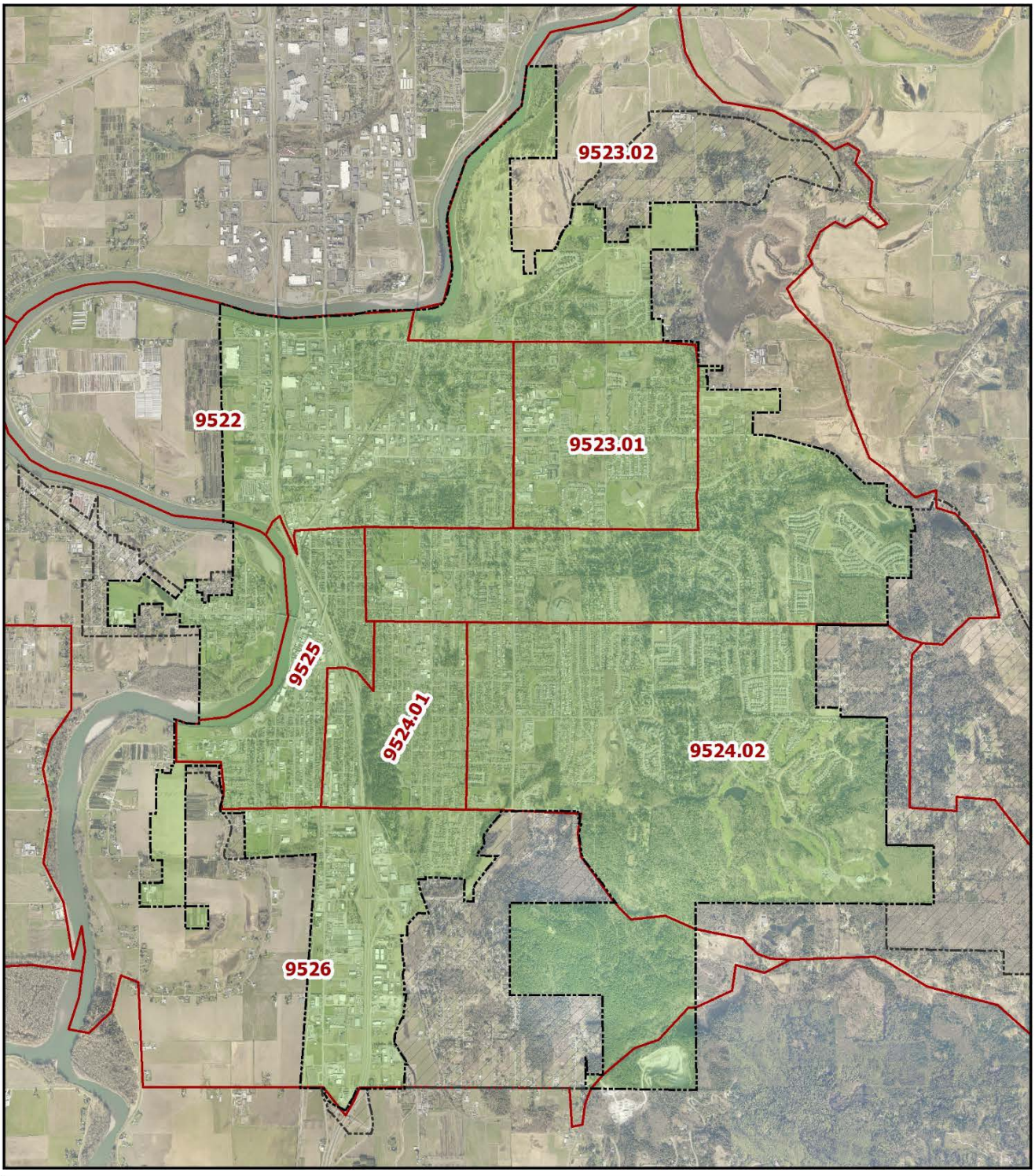


HOUSING ELEMENT MAP 3.0: MOUNT VERNON CENSUS TRACTS (2015)

City of Mount Vernon | Mount Vernon Urban Growth Area | Census Tract

0 1 2 Miles

Map by MV GIS 5/16/2016. Basemap courtesy of ESRI, Skagit County GIS



HOUSING ELEMENT MAP 4.0: MOUNT VERNON CITY LIMITS CENSUS TRACTS (2015)

City of MOUNT VERNON

City of Mount Vernon | Mount Vernon Urban Growth Area | Census Tract

0 0.5 1
Miles

Map by MV GIS 5/16/2016

2.0
POPULATION & HOUSING DATA

The subsections that follow contain information related to population growth and housing in the City. Comparisons to other jurisdictions are included to provide local and regional perspectives. Information provided in this section includes:

2.1: GROWTH

2.2: AVERAGE HOUSEHOLD SIZE

2.3: HOUSING TYPES & COMPOSITION

2.4: OWNED VS RENTED HOUSING

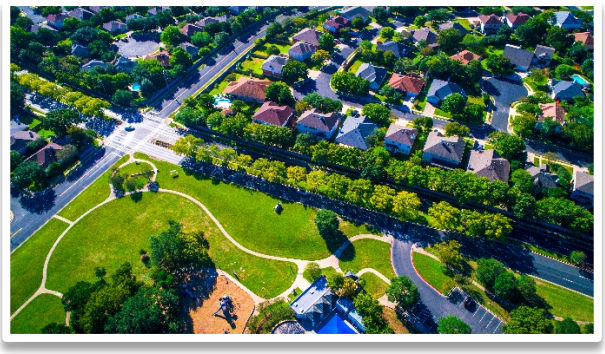
2.5: VACANCY RATES

2.6: SUBSTANDARD HOUSING

2.7: OCCUPANTS PER ROOM

2.8: AGE OF HOUSING

2.9: HOUSING VALUES AND COSTS



2.1 GROWTH

The decade between 1990 and 2000 brought significant growth to Skagit County and the City of Mount Vernon in terms of population and related housing. During this timeframe Mount Vernon had a nearly 50 percent increase in its population compared to Skagit County's 30± percent increase.

The next decade, (between 2000 and 2010) growth occurred at a slower pace, but is still noteworthy. From 2000 to 2010 Skagit County had an almost 14 percent increase in population and Mount Vernon had a 21 percent increase.

As the County and City population grew over these two decades (1990 to 2000 and 2000 to 2010) the number of homes in each jurisdiction grew at slower, but proportional rates. These two growth rates (population and housing) generally do not grow in terms of percentages exactly the same over time as they are influenced by things like vacancy rates, household size, and the like.

Between 1990 and 2000 Skagit County's percentage of home growth was much closer to Mount Vernon's than what was built the following decade. Skagit County had a 27 percent increase in homes between 1990 and 2000 compared to Mount Vernon's 35 percent increase in homes. However, the gap between the percentage increase in the number of homes that the City was producing compared to what Skagit County was producing grew much wider in the following decade of 2000 to 2010 with the City increasing its housing by 24 percent and the County having a mere 7± percent increase.

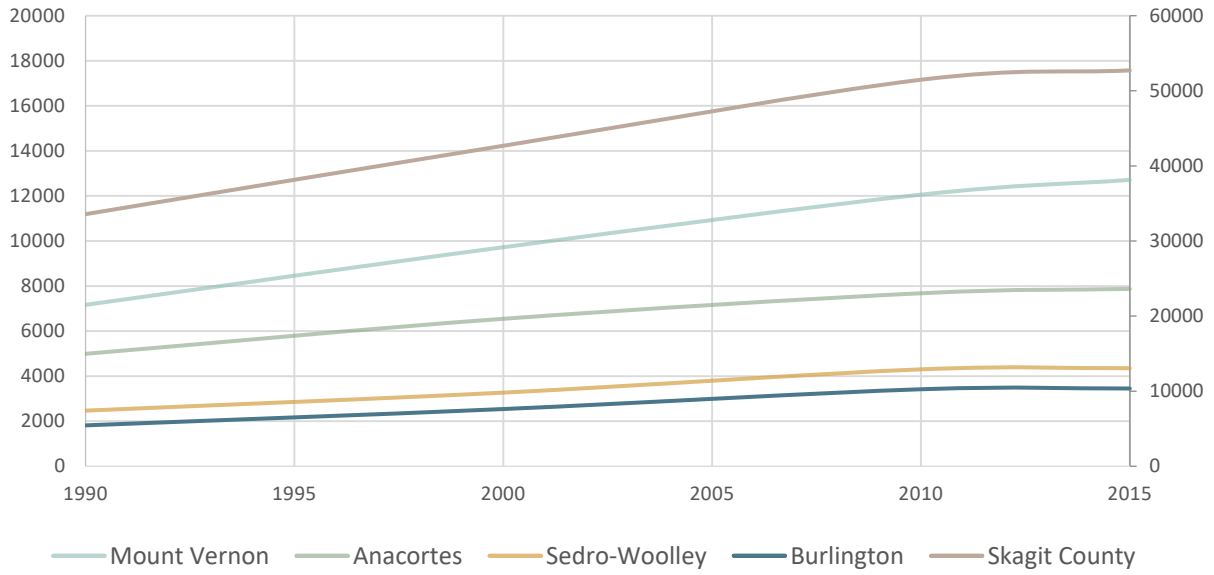
The table below shows the change in population and housing in the City and Skagit County over time.

TABLE 2.0: POPULATION & HOUSING GROWTH 1990 TO 2010

POPULATION							
	1990[1]	2000[1]	% CHANGE 1990-2000	2000[2]	2010[2]	% CHANGE 2000-2010	2015[3]
SKAGIT COUNTY	79,545	102,979	**29.5%**	102,979	116,901	**13.5%**	120,620
MOUNT VERNON	17,647	26,232	**48.7%**	26,232	31,743	**21.0%**	33,530
HOUSING							
	1990[1]	2000[1]	% CHANGE 1990-2000	2000[2]	2010[2]	% CHANGE 2000-2010	2015[4]
SKAGIT COUNTY	33,575	42,681	**27.1%**	42,681	51,473	**20.6%**	52,717
MOUNT VERNON	7,167	9,686	**35.1%**	9,686	12,058	**24.5%**	12,711
BURLINGTON	1,816	2,531	**39.4%**	2,531	3,419	**35.1%**	3,453
SEDRO-WOOLLEY	2,530	3,334	**31.8%**	3,334	4,303	**29.1%**	4,354
ANACORTES	4,992	6,551	**31.2%**	6,551	7,680	**17.2%**	7,875

[1] WA State Department of Financial Management. (1990 - 2000). *Intercensal Estimates of April 1 Population and Housing, 1990 – 2000.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/hseries/default.asp.
[2] WA State Department of Financial Management. (2016, June 23). *Intercensal Estimates of April 1 Population and Housing, 2000 – 2010.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/hseries/default.asp.
[3] WA State Department of Financial Management. (n.d.). *April 1, 2016 Population of Cities, Towns and Counties.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/default.asp.
[4] WA State Department of Financial Management. (2016, June 30). *Postcensal Estimates of Housing Units, April 1, 2010 to April 1, 2016.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/default.asp.

GRAPH 2.1: HOUSING GROWTH OVER TIME COMPARED



2.2 AVERAGE HOUSEHOLD SIZE

The overall median occupancy rate (defined as people per occupied household) in the City has steadily increased through the decades. In 1970 this rate was 2.3 versus 2.8 in 2014. In 2014 the City had an overall higher occupancy rate than Skagit County and the other jurisdictions listed in **Table 2.3.**

In the City, census tract 9523.01 has the highest overall occupancy rate at 3.27 persons per unit (See **Appendix B** for detailed Census Tract information).

TABLE 2.2: AVERAGE HOUSEHOLD SIZE

MOUNT VERNON	
1970[1]	2.30
1980[1]	2.35
1990[1]	2.50
2000[2]	2.74
2010[2]	2.76
2014[3]	2.80

[1] U.S. Census Bureau; Census 1970, 1980, and 1990. *Average Household Size of Occupied Housing Units By Tenure.*

[2] U.S. Census Bureau; Census 2000 and 2010. *Average Household Size of Occupied Housing Units By Tenure, Table B25010.* Retrieved April 14, 2016, from http://factfinder.census.gov.

[3] U.S. Census Bureau; 2014 American Community Survey. *Average Household Size of Occupied Housing Units By Tenure, Table B25010.* Retrieved April 14, 2016, from http://factfinder.census.gov.

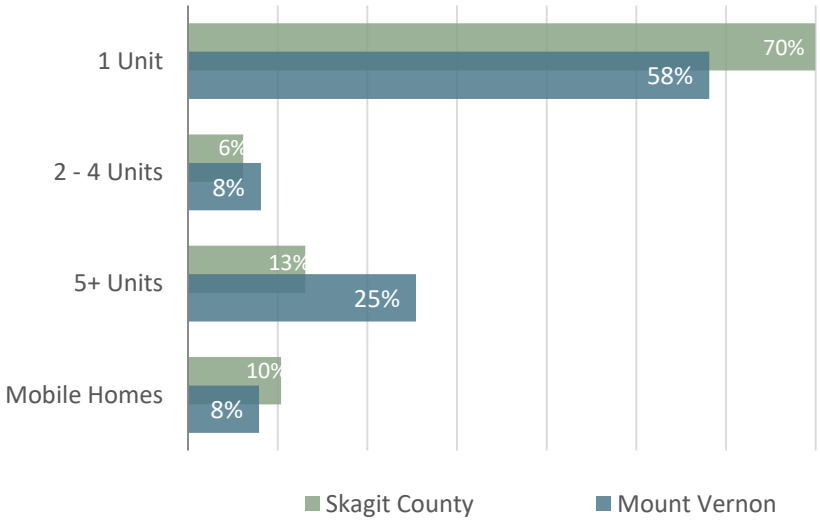
TABLE 2.3: HOUSEHOLD SIZES COMPARED

COMPARED[1]	
Mount Vernon	2.80
Skagit County	2.57
Burlington	2.58
Sedro-Woolley	2.56
Anacortes	2.28
Everett	2.44
Bellingham	2.28
State of WA	2.55
United States	2.63

[1] U.S. Census Bureau; 2014 American Community Survey. *Average Household Size of Occupied Housing Units By Tenure, Table B25010.* Retrieved April 14, 2016, from http://factfinder.census.gov.

2.3 HOUSING TYPES (UNIT COMPOSITION)

GRAPH 2.4: CITY AND COUNTY UNITS IN STRUCTURE COMPARISON[1]



[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

Graph 2.4 and its corresponding **Table 2.5** show the composition of housing in Mount Vernon compared to all the housing units in Skagit County as a whole. Mount Vernon is comprised of 58 percent single-family structures (i.e., one-unit homes), 33 percent multi-family (i.e. homes with two or more units in a structure) and eight percent mobile homes and other homes types such as boats, recreational vehicles (RVs) and other similar places commonly labeled as "other" by the U.S. Census.

Mount Vernon has 14 percent more multi-family units and 12 percent fewer single-family units compared to county-wide totals.

TABLE 2.5: CITY AND COUNTY UNITS IN STRUCTURE COMPARISON[1]

	TOTAL	1-UNIT DETACHED	2 – 4 ATTACHED UNITS	5+ ATTACHED UNITS	MOBILE HOMES	OTHER
SKAGIT COUNTY	50,393	35,255	3,102	6,590	5,235	211
MOUNT VERNON	12,196	7,089	992	3,101	966	48

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

It is noteworthy that the overall composition of single-family (one detached housing unit) to multi-family dwelling units (two or more attached housing units) has fluctuated widely through time in the City.

Table 2.6 and the graphs that follow are a summary of the composition of single family units, multi-family units, and mobile homes plus boats, recreational vehicles (RVs) and other similar places commonly labeled as "other" in the City from 1960 to 2015.

Between 1960 and 2000 the percentage of single-family units steadily decreased while multi-family units steadily increased. Change in this trend is observed beginning in 2000 with the number of single-family units outpacing the number of multi-family units.

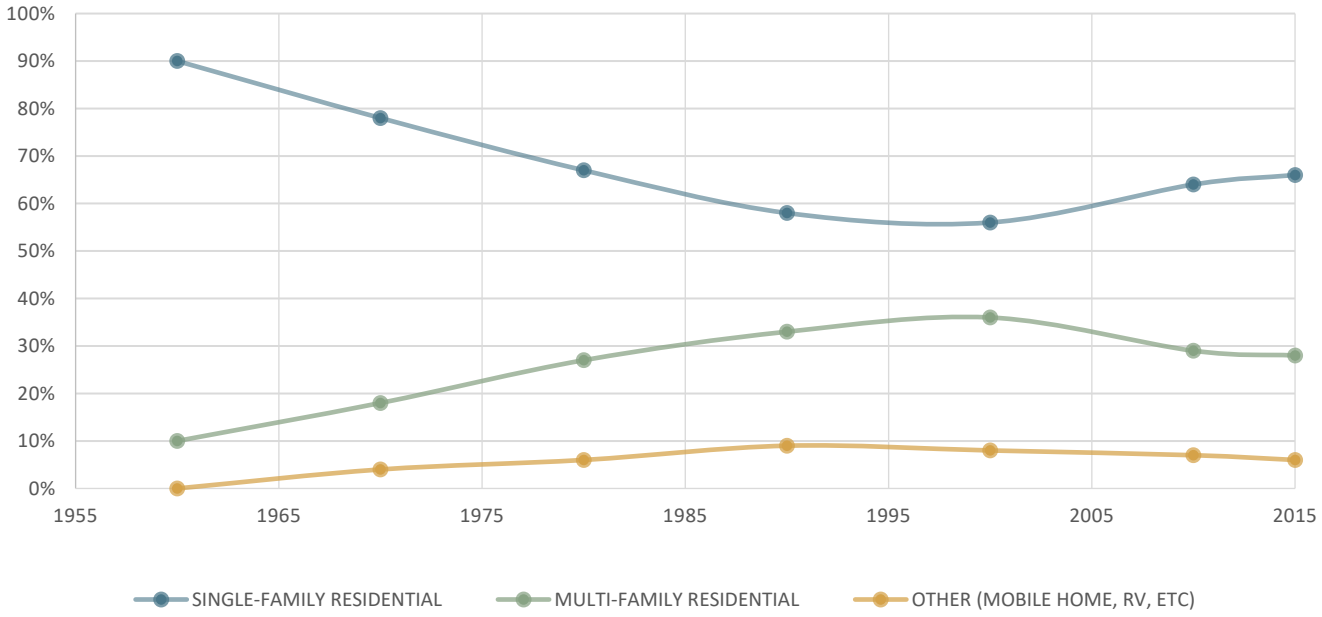
Graph 2.8 takes the same data from **Graph 2.7** and displays it in a bar graph to provide a different perspective of this information.

TABLE 2.6: HOUSING TYPES THROUGH TIME

YEAR	# SINGLE-FAMILY	SINGLE-FAMILY	# MULTI-FAMILY	MULTI-FAMILY	# OTHER	OTHER
1960[1]	2,576	90%	286	10%	0	0%
1970[1]	2,548	78%	602	18%	103	3%
1980[1]	3,705	67%	1,491	27%	298	6%
1990[2]	4,292	58%	2,224	33%	651	9%
2000[2]	5,786	56%	3,170	36%	730	8%
2010[2]	7,712	64%	3,510	29%	836	7%
2015[2]	8,335	66%	3,542	28%	834	7%

[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Units in Structure.
[2] Washington State Office of Financial Management, Forecasting and Research Division. Postcensal Estimates of Housing Units, 1990 to 2015. Retrieved April 14, 2016, from https://www.ofm.wa.gov

GRAPH 2.7: MOUNT VERNON HOUSING TYPES THROUGH TIME [1, 2]



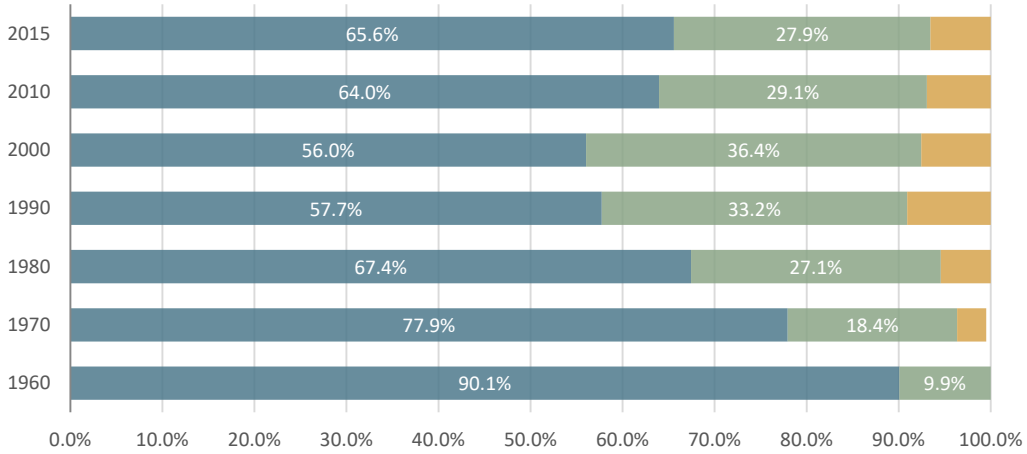
[1] Washington State Office of Financial Management, Forecasting and Research Division. Postcensal Estimates of Housing Units, 1990 to 2015. Retrieved April 14, 2016, from https://www.ofm.wa.gov
[2] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Units in Structure.

Graph 2.9 shows that Mount Vernon has fewer single-family and more multi-family units (as overall percentages) than unincorporated Skagit County and an average of the incorporated cities in the County.

Compared to an average of all incorporated cities in the State of Washington Mount Vernon has more single-family and fewer multi-family units. However, if the list of incorporated cities is narrowed down to those cities that have a range of population similar to Mount Vernon (this range is explained below) the average unit compositions is strikingly similar to Mount Vernon's.

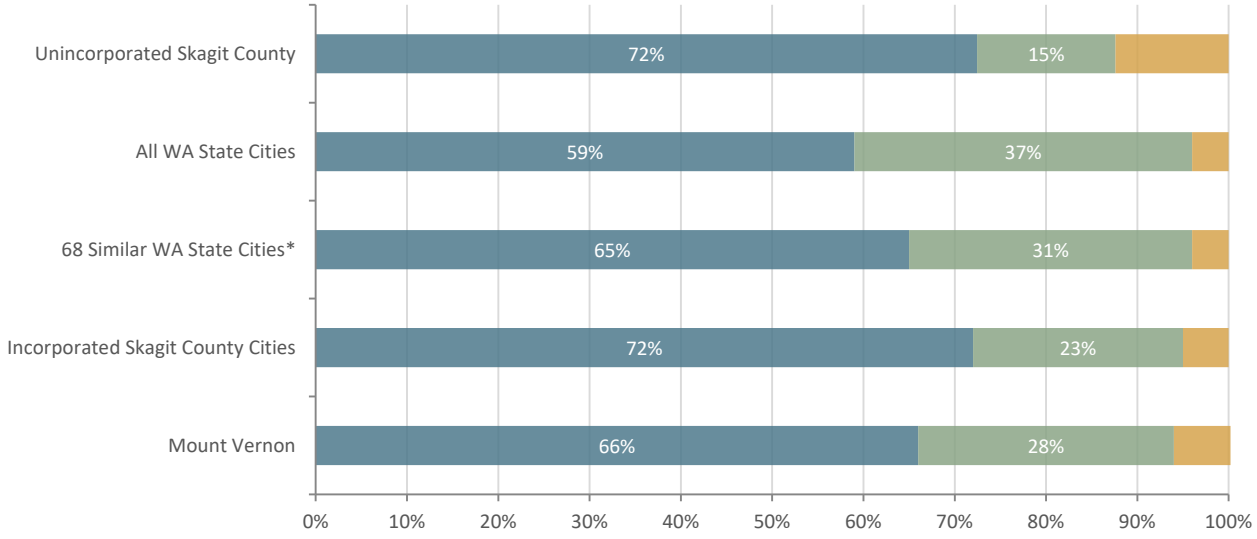
The shift from 2000 to 2015 in Mount Vernon's unit composition is significant enough that additional data was gathered to compare the City's unit composition to other areas. **Graph 2.10** compares home type categories between Mount Vernon, all of the other incorporated cities in Skagit County, 68 similar Washington State Cities, all of the cities in Washington State, and unincorporated Skagit County.

GRAPH 2.8: MOUNT VERNON UNIT TYPES 1990 TO 2015[1,2]



[1] Washington State Office of Financial Management, Forecasting and Research Division. Postcensal Estimates of Housing Units, 1990 to 2015. Retrieved April 14, 2016, from https://www.ofm.wa.gov
[2] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Units in Structure.

GRAPH 2.9: HOUSING TYPES COMPARED REGIONALLY (2015) [1]



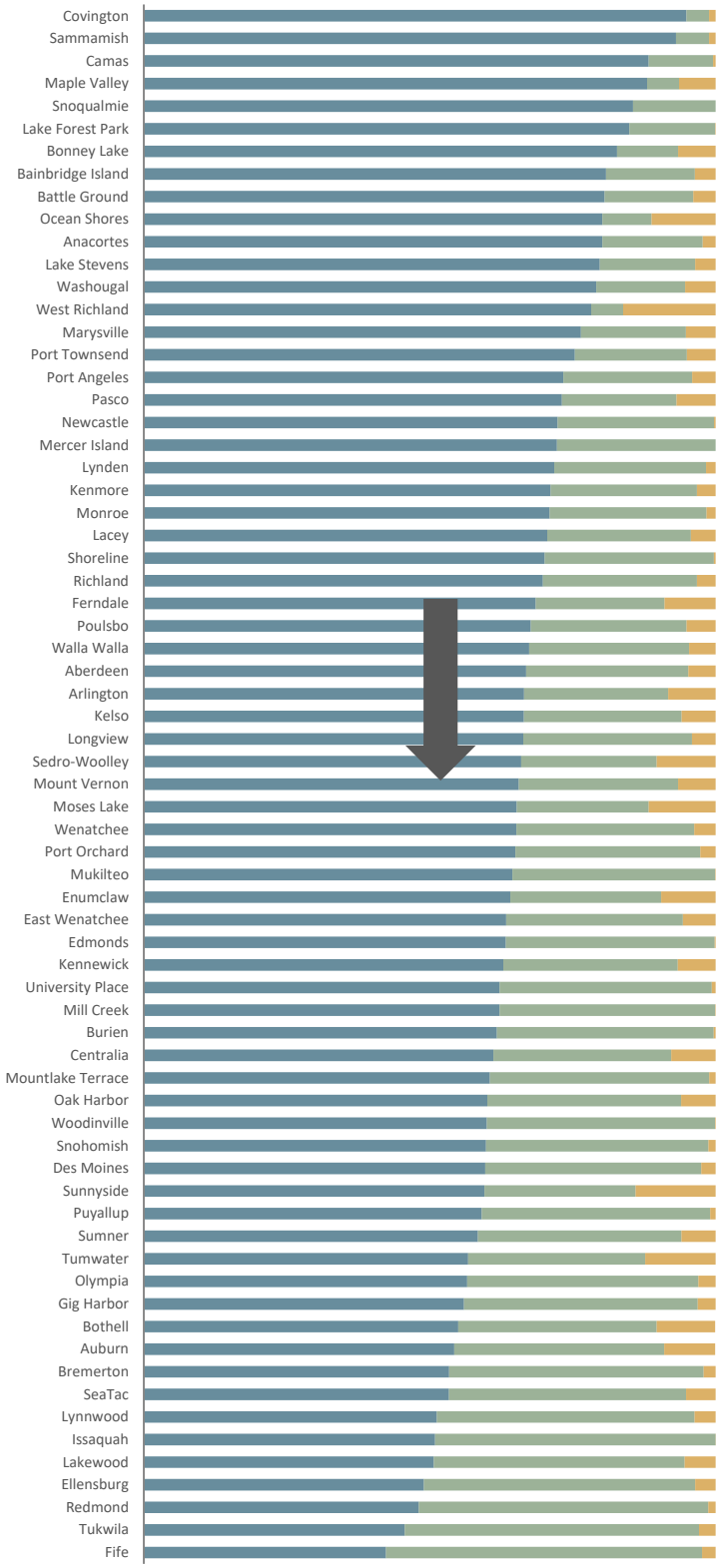
[1] Washington State Office of Financial Management, Forecasting and Research Division. Postcensal Estimates of Housing Units, 1990 to 2015. Retrieved April 14, 2016, from https://www.ofm.wa.gov

Graph 2.10 provides a regional perspective of Mount Vernon's composition of single-to multi-family dwelling unit types by comparing it to 68 other Washington State cities.

The 68 cities shown on **Graph 2.10** were selected by compiling a list of all 292 cities in the State of Washington and comparing the number of homes in each city to the 12,198 homes in Mount Vernon. The list of 292 cities was narrowed down to those cities with a range of homes between 4,000 and 35,000. This range represents cities with approximately 2.5 times more and less the number of homes found in Mount Vernon (i.e. Mount Vernon's existing number of homes was divided and multiplied by 2.5 to arrive at the range selected). Additionally, Pullman was removed due to its disproportionate number of multi-family units attributable to the student population from Washington State University.

Following the selection of the 68 cities listed in **Graph 2.10** the unit composition in each city was calculated and graphed, as shown. On average the 68 cities listed in Graph 2.10 are comprised of sixty-five percent single-family dwelling units; thirty-one percent multi-family units, and four percent mobile homes, RVs, boats and other similar places. Mount Vernon, being comprised of 66 percent single-family units; 28 percent multi-family units; and 7 percent mobile homes, RVs etc. is within one percentage point of the average number of single-family units and is within three percentage points of the average number of multi-family units.

GRAPH 2.10: UNIT TYPES COMPARED (2015) [1]



[1] Washington State Office of Financial Management, Forecasting and Research Division. Postcensal Estimates of Housing Units, 1990 to 2015. Retrieved April 14, 2016, from https://www.ofm.wa.gov

2.4 OWNED VERSUS RENTED HOUSING UNITS

Home ownership in the City has slowly declined through the decades. In 1960 nearly 70 percent of City residents owned their homes compared to 55 percent in 2014, see **Table 2.11** and **Graph 2.13**.

Table 2.12 compares the number of owned versus rented units in Mount Vernon to Skagit County, other cities in Skagit County along with Bellingham and Everett because they are the largest cities in Whatcom and Snohomish Counties, respectively.

Table B in **Appendix B** compares owned versus rented units across Mount Vernon's census tracts. Census Tracts 9522, 9523.01, and 9525 all have higher percentages of renters than owners, which is opposite of the overall City-wide trend that shows there are more owners than renters. Census Tract 9526 also stands out because it has a much higher percentage of ownership at 72 percent and a lower rental rate at 28 percent of the City-wide average.

TABLE 2.11: OWNED vs RENTED UNITS

MOUNT VERNON		
	OWNED	RENTED
1960[1]	68%	32%
1970[1]	65%	35%
1980[1]	60%	40%
1990[2]	57%	43%
2000[2]	57%	43%
2010[2]	58%	42%
2014[2]	55%	45%

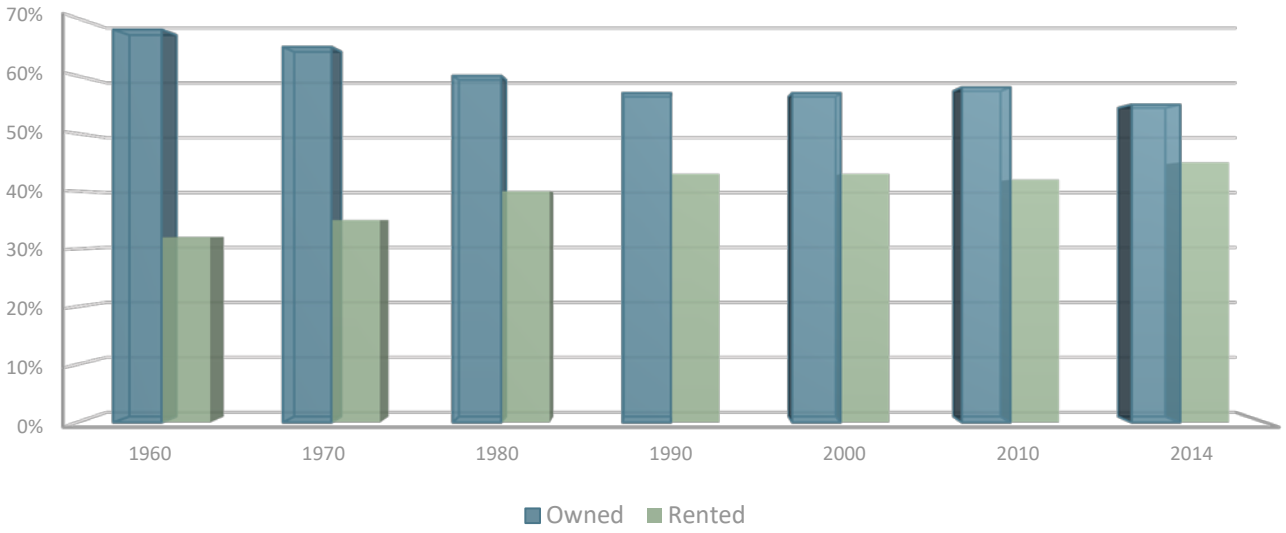
[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Units in Structure.
[2] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.12: OWNED vs RENTED COMPARED (2010)[1]

	OWNED	RENTED
Mount Vernon	58%	42%
Burlington	50%	50%
Sedro-Woolley	63%	45%
Anacortes	65%	35%
Skagit County	68%	32%
Bellingham	46%	54%
Everett	45%	55%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the Cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham and Everett and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

GRAPH 2.13: OWNED VERSUS RENTED DWELLING UNITS IN MOUNT VERNON[1,2]



[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Units in Structure.
[2] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

2.5 VACANCY RATES

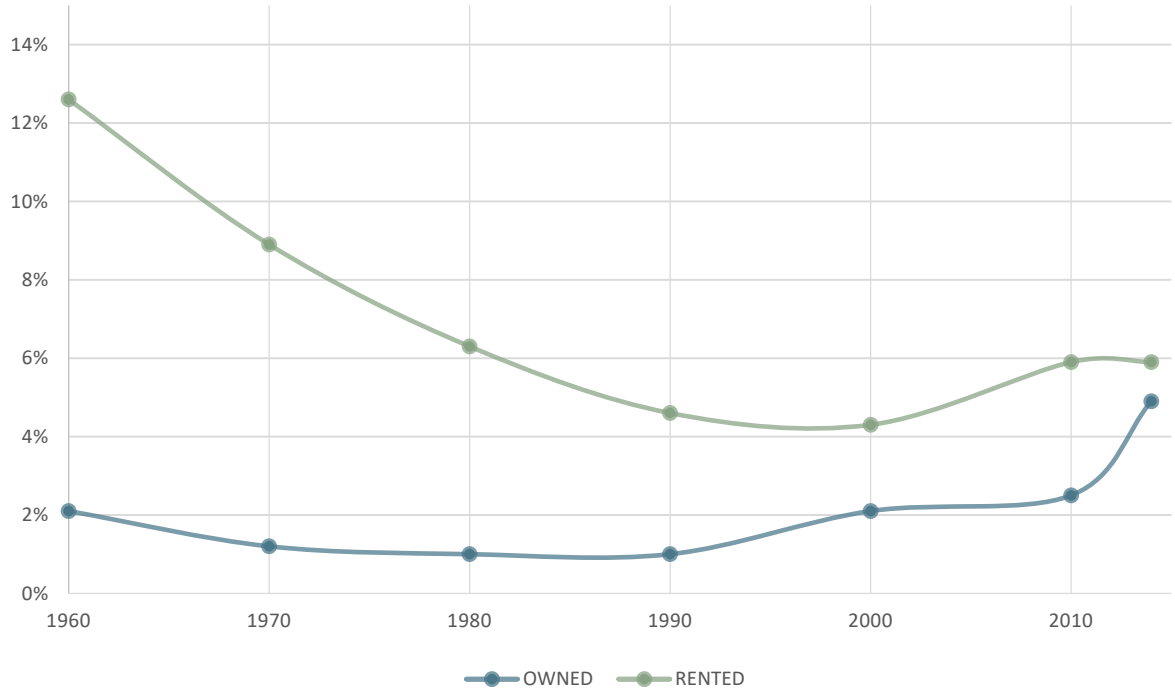
The U.S. Census vacancy rate data is used extensively by public and private sector organizations along with the Federal Government and economic forecasters to evaluate many different facets of the housing market and the overall economic climate.

Census vacancy rate data is broken into housing units that are owned and rented. A home is deemed vacant "*…if no one is living in it at the time of the interview, unless its occupants are only temporarily absent. In addition, a vacant unit may be one which is entirely occupied by persons who have a usual residence elsewhere. New units not yet occupied are classified as vacant housing units if construction has reached a point where all exterior windows and doors are installed and final usable floors are in place…*".

The City's vacancy rates of owned and rented housing units has been as low as .87 percent for owned units in 1990 and as high as 12.6 percent for rental units in 1960. **Graph 2.14** and **Table 2.15** provide these vacancy rates – for owned and rented units – for each decade since 1960.

Table 2.16 and **Graph 2.17** compare vacancy rates for owned and rented housing units in 2014 between different jurisdictions and Mount Vernon. The City's 2014 rental vacancy rate (5.9 percent) is slightly higher than the County's (5.3 percent). The City's homeowner vacancy rate is 4.9 percent, higher than the County's 2.6 percent owner vacancy rate.

GRAPH 2.14: HOMEOWNER AND RENTAL VACANCY RATES 1960 TO 2014 [1,2]



[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Housing Occupancy.
[2] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.15 VACANCY RATES THROUGH TIME

MOUNT VERNON		
	OWNED	RENTED
1960[1]	2.1%	12.6%
1970[1]	1.2%	8.9%
1980[1]	.96%	6.3%
1990[2]	.87%	4.6%
2000[2]	2.1%	4.3%
2010[2]	2.5%	5.9%
2014[2]	4.9%	5.9%

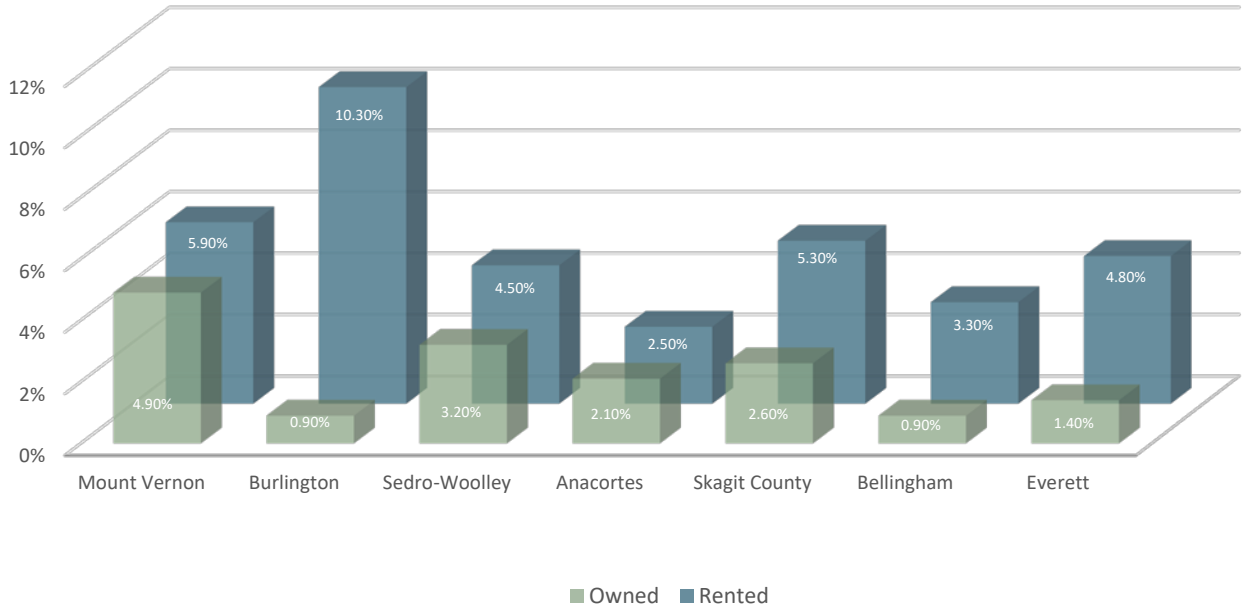
[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Housing Occupancy.
[2] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.16: VACANCY RATES COMPARED (2014)[1]

	OWNED	RENTED
Mount Vernon	4.9%	5.9%
Skagit County	2.6%	5.3%
Burlington	.9%	10.3%
Sedro-Woolley	3.2%	4.5%
Anacortes	2.1%	2.5%
Bellingham	.9%	3.3%
Everett	1.4%	4.8%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.17 VACANCY RATES COMPARED (2010) [1,2]



[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

The housing data up to this point has been based on U.S. Census data because it is generally assumed to be the most accurate and reliable source. In addition, because Census data has been collected in uniform ways for decades it is also the most appropriate for historical comparisons and comparisons with different jurisdictions. The only downfall is that the most up-to-date Census data is from year-end 2014 and this Housing Element is being completed in 2016.

To provide more recent data **Table 2.18** was created that contains apartment vacancy data from the University of Washington's Runstad Center for Real Estate Studies. Although vacancy rate data for owned housing units is not available Runstad published an Apartment Market Survey in the Spring of 2016 that contains data on rented multi-family units for Skagit County and the City of Mount Vernon.

Apartment vacancy rates for Skagit County and the City of Mount Vernon is listed in **Table 2.18**. This data shows that the vacancy rates for this type of housing units has significantly dropped since 2014. It is worth pointing out that the Runstad data is based on an exceptionally small sample of Mount Vernon's apartment units. Less than 10 percent of the apartments that are rentals in Mount Vernon were part of the Runstad analysis summarized in **Table 2.18**; and of these units only 9.6 percent were part of the study. This means that out of the over 5,000 apartment rentals this data is based on less than 50.

TABLE 2.18: APARTMENT VACANCY RATES 2015/2016[1]

	SKAGIT COUNTY			MOUNT VERNON		
	% VACANT	AVG. RENT	UNITS IN SURVEY	% VACANT	AVG. RENT	UNITS IN SURVEY
March 2016	.2%	$921.00	496	.2%	$921.00	496
September 2015	.6%	$818.00	1,045	.6%	$818.00	1,045
March 2015	0%	$883.00	327	0%	$883.00	327

[1] University of Washington, Runstad Center for Real Estate Studies, Skagit County and Mount Vernon Apartment Market, Spring 2015 and 2016

2.6 SUBSTANDARD HOUSING

The U.S. Census provides data with regard to the condition of housing in the City such as whether or not the home has complete plumping and kitchen facilities and whether or not it has a fuel source for heating. Noteworthy is that this Census data does not account for certain health-related quality issues like the presence of mold or structural issues such as deteriorating roofs or foundations. This means that substandard housing likely occurs at higher rates than what is represented below.

In terms of selected housing characteristics, the 2014 Census data indicates that 1.2 percent (145 occupied units) lack complete plumbing facilities, .8 percent (86 occupied units) lack complete kitchen facilities, and 0.5 percent (61 units) indicate they used no fuel implying those units may have no heat.

TABLE 2.19: SUBSTANDARD HOUSING - MOUNT VERNON[1]

OVERALL OCCUPIED HOUSING UNITS THAT ARE:				
	1990	2000	2010	2014
WITHOUT COMPLETE PLUMBING FACILITIES	1.2%	.8%	2.1%	.5%
WITHOUT COMPLETE KITCHEN FACILITIES	.6%	.8%	2.3%	.3%
WITHOUT FUEL	0%	1.6%	3.8%	1.0%

[1] U.S. Census Bureau; 1990, 2000, 2010, and 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.20: SUBSTANDARD HOUSING - NEARBY JURISDICTIONS[1]

OVERALL OCCUPIED HOUSING UNITS THAT ARE (2014)			
	WITHOUT COMPLETE PLUMBING FACILITIES	WITHOUT COMPLETE KITCHEN FACILITIES	WITHOUT FUEL
Mount Vernon	1.2%	.8%	.5%
Skagit County	.6%	.8%	.3%
Burlington	0%	.9%	0%
Sedro-Woolley	0%	1.6%	1.0%
Anacortes	.2%	.4%	0%
Everett	.4%	1.2%	.7%
Bellingham	.3%	1.5%	.9%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Everett, Bellingham, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

2.7 OCCUPANTS PER ROOM

Table 2.21 shows from 1960 to 2010 that over 90 percent of the City's occupied housing units had one (1) or fewer occupants per room. Between 2000 and 2014 having 1.01 to 1.5 occupants per room has been a low of 4.6 percent and a high of 5.7 percent with an average of 5.2 percent.

The 2000 Census measured the highest occupants per room for the City at 6.3 percent of the occupied housing units having 1.51 or more occupants per room. This rate dropped significantly in 2010 to 1.8 percent; but has increased to 3.1 percent in 2014.

The 2014 Census data indicates that approximately 8.8 percent of the City's housing units are considered overcrowded (more than one person per room); with Census Tract 9523.01 having the highest percent of overcrowding at 24.3 percent. See **Appendix B** for detailed census tract information.

Compared to the neighboring jurisdictions listed in **Table 2.22** Mount Vernon has the highest percent of overcrowding at 8.8 percent. The City of Burlington's percent of overcrowding is closest to Mount Vernon's; however, they (Burlington) are still 2.2 percent lower than Mount Vernon.

TABLE 2.21: OCCUPANCY PER ROOM – MOUNT VERNON [1,2]

OCCUPANTS PER ROOM	≥ 1	1.01 – 1.5	1.51 +
1960[1]	95.1%	4.9% (this Census only measures 1 + occupant per room)	
1970[1]	96%	2.8%	.94%
1980[1]	94.2%	2.8%	1.2%
1990[2]	95.2%	2.7%	2.2%
2000[2]	89.2%	4.6%	6.3%
2010[2]	92.9%	5.3%	1.8%
2014[2]	91.3%	5.7%	3.1%

[1] U.S. Census Bureau; Census 1960, 1970, 1980, and 1990. Occupants Per Room.
[2] U.S. Census Bureau; 1990, 2000, 2010 and 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the City of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.22: OCCUPANCY PER ROOM – MOUNT VERNON COMPARED (2014)

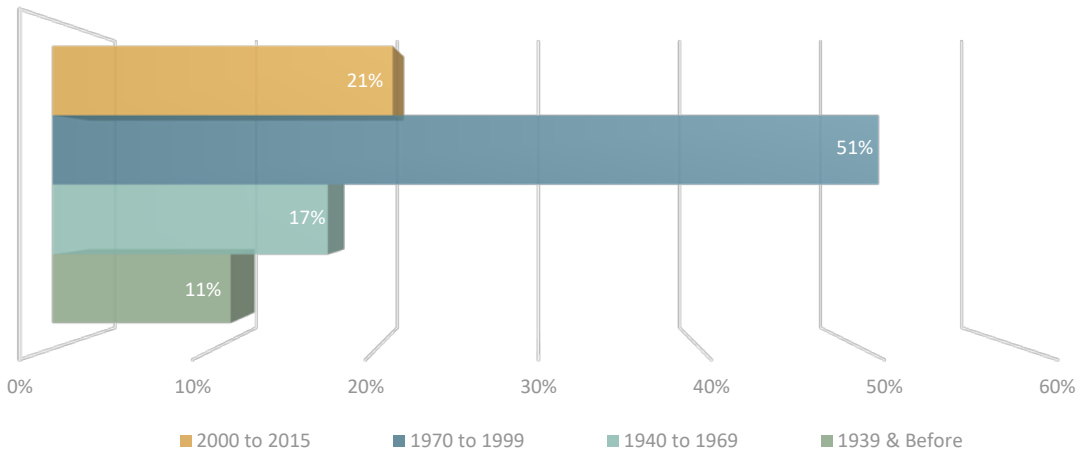
OCCUPANTS PER ROOM	≥ 1	1.01 – 1.5	1.51 +	OVERCROWDING %
Mount Vernon	91.3%	5.7%%	3.1%	8.8%
Burlington	93.4%	4.4%	2.2%	6.6%
Sedro-Woolley	94%	4.9%	1.0%	5.9%
Anacortes	99.4%	.4%	.2%	.6%
Skagit County	95.5%	3.3%	1.2%	4.5%
Bellingham	98.3%	1.1%	.5%	1.6%
Everett	95.8%	3.1%%	1.0%	4.1%
State of WA	97.1%	2.2%	.8%	3%
United States	96.7%	2.3%	1.0%	3.3%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Everett, Bellingham, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

2.8 AGE OF HOUSING

Census data shows that 11 percent of the City's housing stock was built in 1939 or earlier; 17 percent was built between 1940 and 1969, and 51 percent was built between 1970 and 1999. This leaves 22 percent of the City's housing units being built between 2000 to the present, as shown on **Graph 2.23** and listed in **Table 2.24**.

GRAPH 2.23: MOUNT VERNON'S CURRENT AGE OF HOUSING[1]



[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the city of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

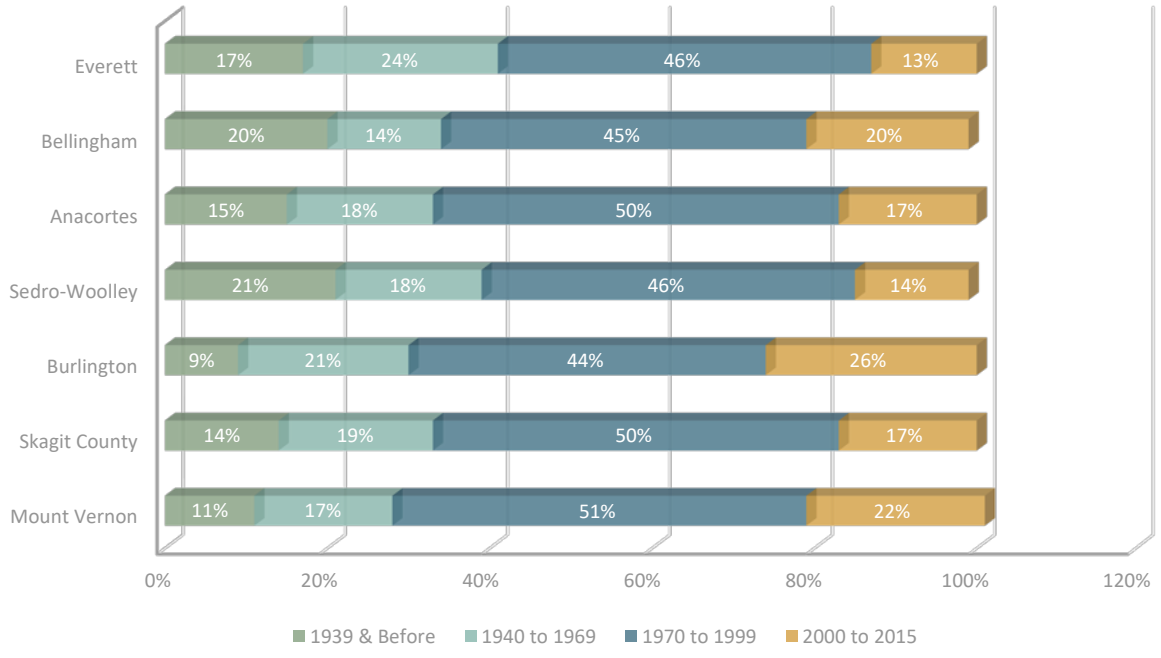
TABLE 2.24: CURRENT AGE OF HOUSING

YEAR STRUCTURE BUILT	# OF HOMES	% OF TOTAL
TOTAL HOUSING UNITS	12,382	100%
2010 to 2014	147	1.2%
2000 to 2009	2,519	20.3%
1990 to 1999	2,763	22.3%
1980 to 1989	1,752	14.1%
1970 to 1979	1,801	14.5%
1960 to 1969	936	7.6%
1950 to 1959	694	5.6%
1940 to 1949	436	3.5%
1939 or earlier	1,334	10.8%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the city of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

Noteworthy when comparing the age of Mount Vernon's housing to nearby jurisdictions is in the category of homes built in 1939 or earlier the only nearby jurisdiction with a lower percentage of this age category is the City of Burlington which has 9 percent versus Mount Vernon's 11 percent. Burlington and Mount Vernon also have the largest percentages of homes built from the years 2000 to 2014 – Burlington at 26 percent and Mount Vernon at 22 percent.

GRAPH 2.25: AGE OF HOUSING COMPARED[1]



[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.26: AGE OF HOUSING COMPARED[1]

JURISDICTIONS:	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
TOTAL HOUSING UNITS	12,382	51,660	3,572	4,359	7,611	36,224	44,601
HOMES BUILT BETWEEN:							
2000 to 2014	22%	17%	26%	14%	17%	20%	13%
1970 to 1999	51%	50%	44%	46%	50%	45%	46%
1940 to 1969	17%	19%	21%	18%	18%	14%	24%
1939 or earlier	11%	14%	9%	21%	15%	20%	17%

[1] U.S. Census Bureau; 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

2.9 HOUSING VALUES & COSTS

The U.S. Census compiles data on housing values and costs for both owned and rented units. According to 2014 Census data, Mount Vernon's median home value was $210,700; which was 21 percent lower than the County's median home price of $254,900.

The 2014 Census data reveals that 40 percent of all homes in the City are valued between $200,000 and $299,000. See **Table D** in **Appendix B** for information on home values specific to census tracts in the City.

A comparison of 2014 U.S. Census data shows that the City has realized a smaller percentage of change in owner occupied home values as compared to Skagit County, it's incorporated cities, and the City of Bellingham.

Between 1990 and 2014 a 152 percent increase in gross rent amounts in Mount Vernon is documented. In 1990 57 percent of renters paid $300.00 to $499.00 compared to 2014 where the majority of renters (32.3 percent) are paying $750.00 to $999.00 in rent. See **Table E** in **Appendix B** for rental cost information specific to census tracts.

ILLUSTRATION 2.27: MOUNT VERNON HOME VALUES OVER TIME[1]

[1] U.S. Census Bureau; 1990, 2000, 2010, and 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the city of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.28: OWNER OCCUPIED HOME VALUES COMPARED OVER TIME[1]

	2014	2010	2000	% CHANGE 2000 TO 2014
Mount Vernon	**$210,700.00**	**$233,900.00**	**$142,000.00**	**48.4%**
Skagit County	$254,900.00	$278,300.00	$158,100.00	61.2%
Burlington	$193,200.00	$217,300.00	$129,200.00	59.5%
Sedro-Woolley	$185,500.00	$217,100.00	$123,400.00	50.3%
Anacortes	$312,300.00	$351,600.00	$171,000.00	82.6%
Bellingham	$287,100.00	$305,500.00	$156,100.00	83.9%
Everett	$230,800.00	$277,100.00	$168,300.00	37.1%

[1] U.S. Census Bureau; 2000, 2010, 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

TABLE 2.29: GROSS RENT AND % OF RENT CATEGORIES – MOUNT VERNON[1]

	UNITS PAYING RENT	LESS THAN $200	$200 TO $299	$300 TO $499	$500 TO $749	$750 TO $999	$1,000 TO $1,499	$1,500 OR MORE	MEDIAN
2014	4,896	1.8%	2.3%	5.3%	20.3%	32.3%	28.7%	9.3%	$906.00
2010	4,580	2.5%	4.5%	7.5%	21.9%	29.9%	23.7%	10%	$837.00
2000	3,965	5.9%	5%	13.1%	40.8%	23.2%	6.2%	4.2%	$655.00
1990	2,875	11.1%	17.3%	57.4%	9%	.5%	2.6% (categories merged with 1990 Census)		$359.00

[1] U.S. Census Bureau; 2000, 2010, 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the city of Mount Vernon. Retrieved April 14, 2016, from http://factfinder.census.gov

To ensure that Mount Vernon's rent figures provided in **Tables 2.29** and **2.30** are not too different from what is being charged in 2016 average multi-family rents were obtained from the University of Washington's Runstad Center for Real Estate Studies. The Runstad data lists an average rent of $855 in the Spring of 2016 for the City of Mount Vernon. A final check of these rental rates was made by looking up the U.S. Department of Housing and Urban Development's (HUD) fiscal year 2016 Fair Market Rent for the Mount Vernon – Anacortes MSA. This HUD data lists the rent for a two-bedroom unit at $962.

It's important to know that both the Census and HUD data include basic utilities in their rent amounts; whereas the Runstad data does not. However, the HUD data is for the Mount Vernon-Anacortes MSA; which means that areas outside Mount Vernon's city limits are included. Of concern with this MSA is that Anacortes historically, and at the present, has higher rent values than Mount Vernon.

None-the-less, the HUD and Runstad data provide some assurance that the 2014 Census data could be a little low, but still relevant.

Comparing the 2014 U.S. Census gross rent amounts in 2014 and from 2000 to 2014 it is evident that, with the exception of the City of Bellingham, Mount Vernon has the lowest median gross rents in 2014. Additionally, between 2000 and 2014 Mount Vernon has the lowest percent increase in median gross rents across the jurisdictions listed in **Table 2.30**.

TABLE 2.30: MEDIAN GROSS RENT COMPARISONS[1]

	2014	2010	2000	% CHANGE 2000 TO 2014
Mount Vernon	$906	$837	$655	38.3%
Skagit County	$961	$872	$668	43.8%
Burlington	$1,002	$911	$642	56%
Sedro-Woolley	$1,012	$831	$642	57.6%
Anacortes	$1,026	$943	$736	39.4%
Bellingham	$901	$790	$613	47%
Everett	$965	$878	$687	40.5%

[1] U.S. Census Bureau; 2000, 2010, 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon, Burlington, Sedro-Woolley, Anacortes, Bellingham, Everett, and Skagit County. Retrieved April 14, 2016, from http://factfinder.census.gov

3.0
SOCIAL & DEMOGRAPHIC DATA

The subsections that follow contain information on a variety of social characteristics and demographics regarding age, sex, race, ethnicity, education, and household composition of the City's residents. This information includes comparisons to other jurisdictions to provide a benchmark upon which to evaluate the metrics presented.

The demographics discussed within this section are organized as follows:

3.1: AGE & SEX

3.2: HOUSEHOLD COMPOSITION

3.3: RACE AND ETHNICITY

3.1 AGE & SEX

The age of City residents can influence many different types of land use decisions such as, how much land should be available to accommodate health care services or elementary schools. **Table 3.0** shows that Mount Vernon's median age and percent of males to females has remained constant over many decades. In fact, the only age category that has a noticeable change in Mount Vernon is the population under age five that has increased by almost 1 percent between 1990 and 2014.

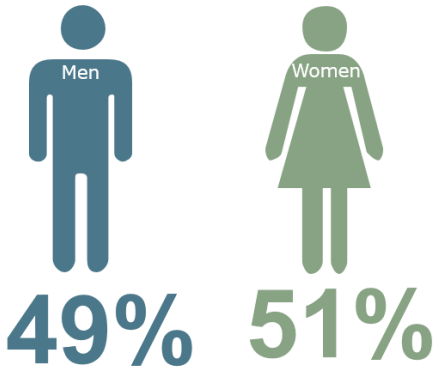
Graph 3.2 is the median age for Mount Vernon and selected nearby jurisdictions. Mount Vernon's median age is eight years below Skagit County's; yet is very similar to the Cities of Burlington, Sedro-Woolley, Bellingham and Everett. Noteworthy is the City of Anacortes' median age of 48.5, which is eight years more than any of the other jurisdictions listed. **Graph 3.3** contains data on the overall population broken into five different age categories for Mount Vernon and several nearby jurisdictions. **Graph 3.3** shows that Mount Vernon has more residents ages five to 19, and under the age of five than any of the other nearby jurisdictions listed in this graph.

TABLE 3.0: AGE & SEX COMPOSITION OVER TIME – MOUNT VERNON

YEAR	MEDIAN AGE	% MALE TO FEMALE	POPULATION UNDER 5	POPULATION 5 TO 19	POPULATION 20 TO 44	POPULATION 45 TO 64	65 AND OLDER
1990[1]	31.6	48% to 52%	8.6%	22.2%	32.7%	22.5%	13.9%
2000[2]	31.1	49% to 51%	8.4%	24.5%	37%	17.7%	12.6%
2010[2]	32.3	49% to 51%	8.8%	22.3%	34.7%	21.4%	12.7%
2014[3]	32.4	49% to 51%	9.5%	21.9%	33.9%	21%	13.7%

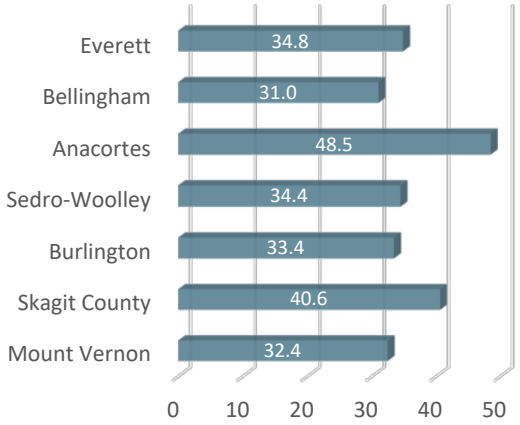
[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Demographic Profile Data.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

3.1 COMPOSITION OF MEN TO WOMEN[1]



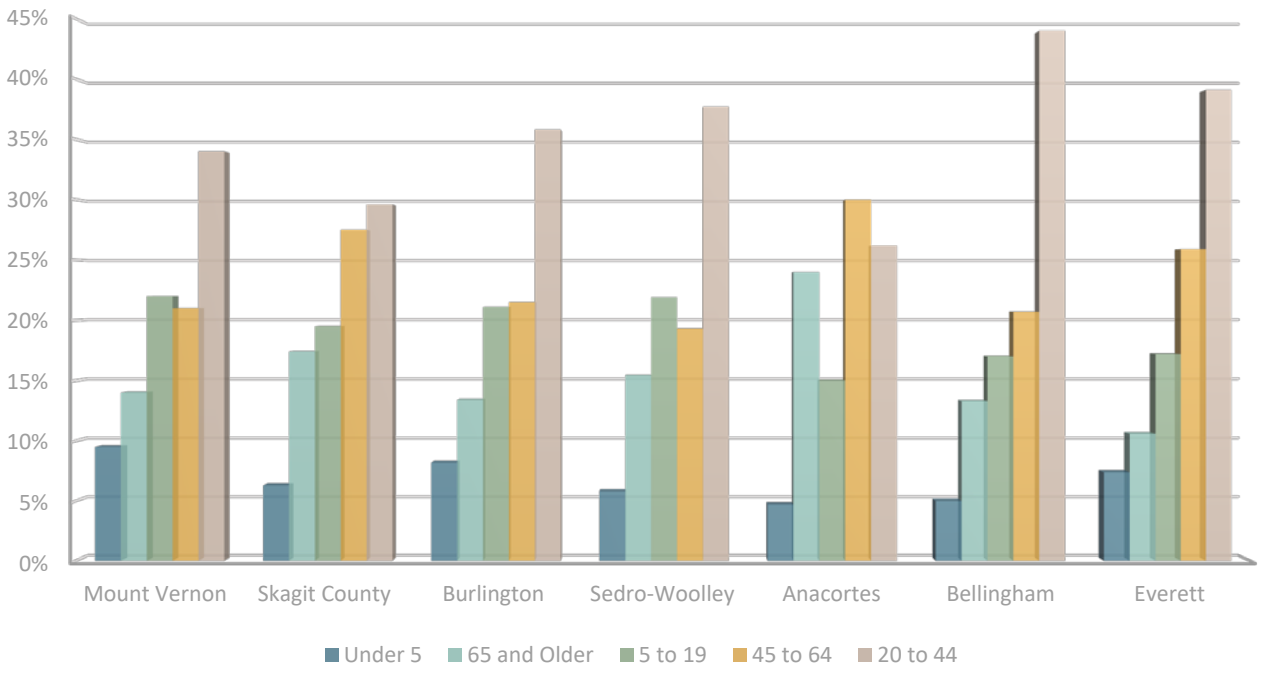
[1] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

GRAPH 3.2: MEDIAN AGE COMPARED[1]



[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

GRAPH 3.3: AGE CATEGORIES COMPARED[1]



[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

3.2 HOUSEHOLD COMPOSITION

Table 3.4 shows that between 1990 and 2014 the City's overall percentage of households comprised of married couples has decreased by almost 10 percent. During the same timeframe the percentage of households headed by females (with no husband present per the U.S. Census definition) increased by eight percent.

The number of households occupied by one person has decreased from 28.8 percent in 1990 to 24.4 percent in 2014. The opposite trend is seen in households with four or more people: in 1990 this percentage was 23.8 percent and in 2014 it was 28.9 percent.

TABLE 3.4: HOUSEHOLD & FAMILY COMPOSITION OVER TIME[1]

	1990[1]	2000[2]	2010[2]	2014[3]
Total Population	17,647	26,232	31,743	32,356
Total Households	6,885	9,276	11,386	11,308
Total Family Households	4,520	6,203	7,260	7,646
Married Couple Family Households	79.6%	78.3%	75%	70.2%
Female Family Householder[4]	15.6%	16.3%	18.6%	23.6%
Households with 1 Person	28.8%	26.1%	29.9%	24.4%
Households with 2 People	32.5%	30.6%	29.5%	32.3%
Households with 3 People	14.9%	14.5%	15.4%	14.4%
Households with 4+ People	23.8%	28.7%	25.2%	28.9%

[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Demographic Profile Data.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Age Demographic Profile Data.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Demographic Profile Data.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[4] Per the U.S. Census definition these householders have no husband present

3.3 RACE AND ETHNICITY

The difference between race and ethnicity is not well understood by many; and because the U.S. Census does provide data on both, following is a brief explanation.

In the simplest terms a person's race can be associated with their self-reported identity based on physical characteristics, whereas ethnicity is associated with culture, customs and traditions.

The U.S. Census has included questions about race since its first Census in 1790. The U.S. Census defines those of Hispanic or Latino origin as being a person "of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin regardless of race". This means that people who identify themselves as Hispanic or Latino can be of any race.

Table 3.5 shows the racial composition of Mount Vernon has been overwhelmingly "white alone" for decades. However, since 1990 there has been an almost 10 percent drop in residents that identify themselves as "white alone". Since 1990 the percentage of the City's population that identifies their ethnicity as Hispanic or Latino has significantly increased from 10.9 percent in 1990 to 34.3 percent in 2014 – a 23.4 percent increase over this 24 year period.

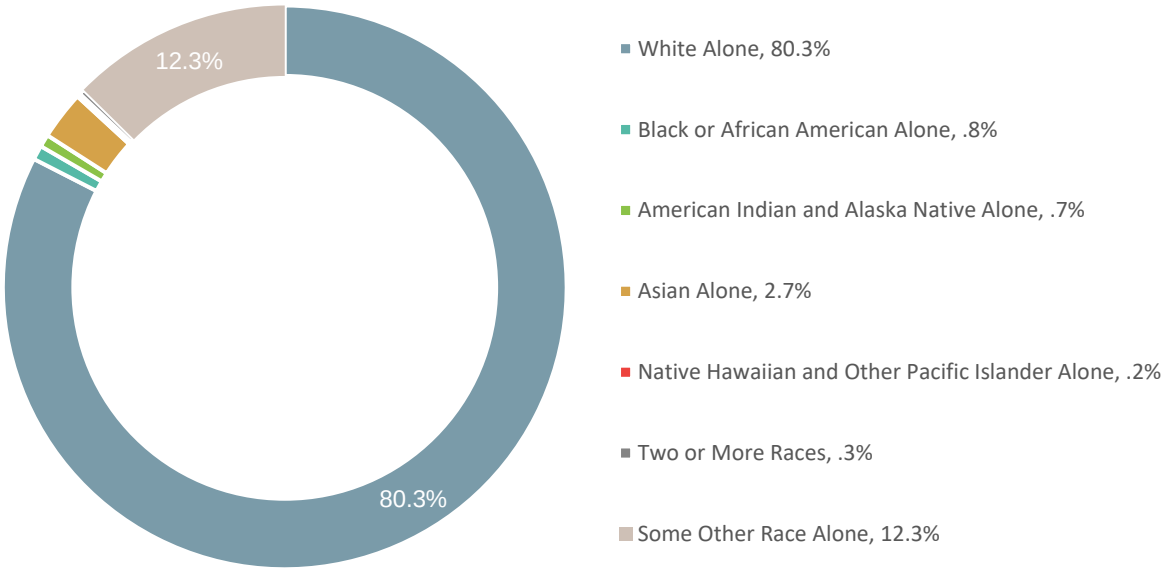
Compared to the other jurisdictions listed in **Table 3.9** Mount Vernon has a notably higher percentage of residents that identify themselves as "some other race alone". The only other significant difference between Mount Vernon and the other jurisdictions is the overall percentage of residents that are of Hispanic or Latino ethnicity. Mount Vernon's percentage is 34.3 percent with the jurisdiction having the next closest percentage being the City of Burlington at 25 percent.

TABLE 3.5: RACE COMPOSITION OF MOUNT VERNON OVER TIME

	1990[1]	2000[2]	2010[2]	2014[3]
White Alone	89.6%	83.9%	75%	80.3%
Black or African American Alone	0.4%	0.7%	0.78%	0.8%
American Indian and Alaska Native Alone	2.3%	.95%	1.1%	0.7%
Asian Alone	1.4%	2.2%	2.8%	2.7%
Native Hawaiian and Other Pacific Islander Alone	0.1%	0.1%	0.2%	0.2%
Some Other Race Alone	7.5%	9.9%	15.1%	12.3%
Two or More Races	NA	2.2%	5.0%	3.0%

[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Demographic Profile Data.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11*Retrieved April 18, 2016, from http://factfinder.census.gov.

GRAPH 3.6: MOUNT VERNON'S RACES[1]



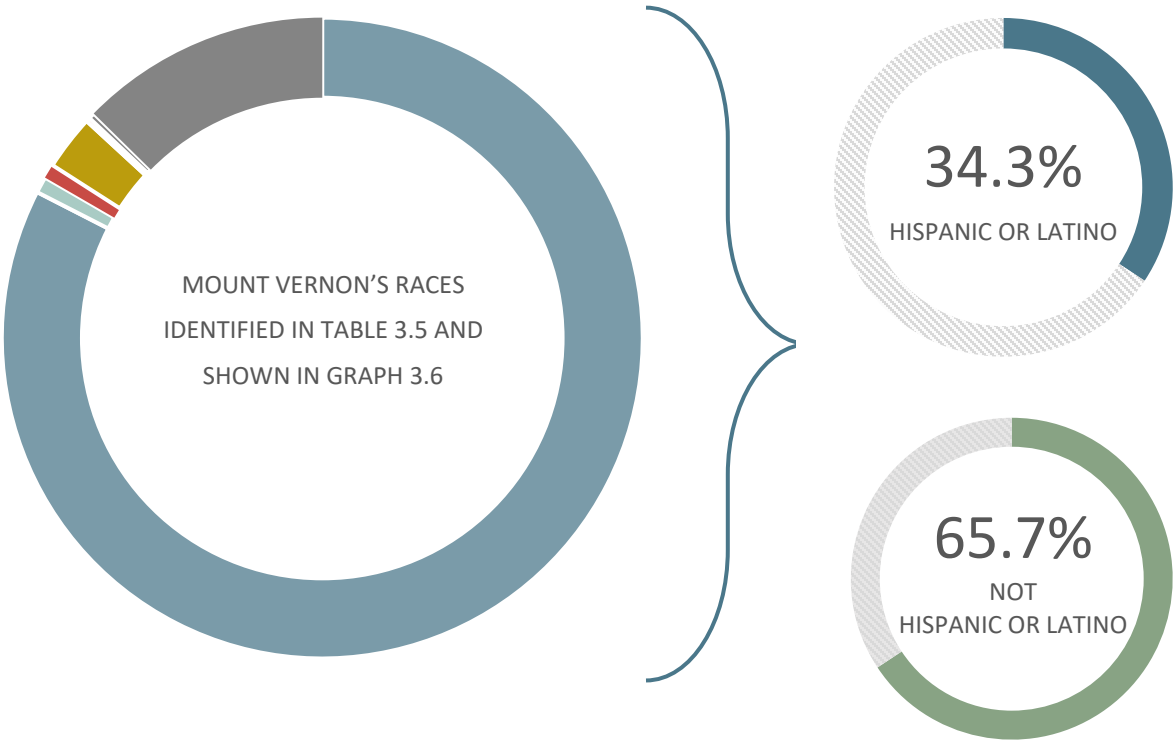
[1] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

TABLE 3.7: ETHNICITY – HISPANIC OR LATINO COMPOSITION OF MOUNT VERNON OVER TIME

	1990[1]	2000[2]	2010[2]	2014[3]
Hispanic or Latino	10.9%	25.1%	34.2%	34.3%

[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Demographic Profile Data.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11*Retrieved April 18, 2016, from http://factfinder.census.gov.

GRAPH 3.8: MOUNT VERNON'S RACES & ETHNICITIES[1]



[1] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

TABLE 3.9: RACE AND ETHNICITY COMPARISONS (2014)[1]

	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
White Alone	80.3%	86.8%	76.3%	86.9%	91.9%	84.8%	75.8%
Black or African American Alone	.8%	.6%	1.3%	1%	.5%	1.1%	4.5%
American Indian and Alaska Native Alone	.7%	1.6%	1.8%	.7%	.9%	1.8%	1%
Asian Alone	2.7%	1.7%	1.7%	1.1%	2.3%	5.3%	8.2%
Native Hawaiian and Other Pacific Islander Alone	.2%	.5%	3.5%	.7%	.3%	.1%	1%
Some Other Race Alone	12.3%	5.3%	9.5%	3.8%	1%	2.2%	3.2%
Two or More Races	3%	3.4%	5.9%	5.8%	3.1%	4.7%	6.2%
Hispanic or Latino	34.3%	17.4%	25%	14.3%	5.4%	8.3%	16.1%

[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11.* Retrieved April 18, 2016, from http://factfinder.census.gov.

Due to the large difference regionally with Mount Vernon's overall percentage of Hispanic or Latino residents national and State comparisons are presented in **Table 3.10.**

Graph 3.12 shows that Mount Vernon has a significantly higher percentage of Hispanic or Latino residents regionally, and **Table 3.10** shows that this difference is also observed State-wide and nationally.

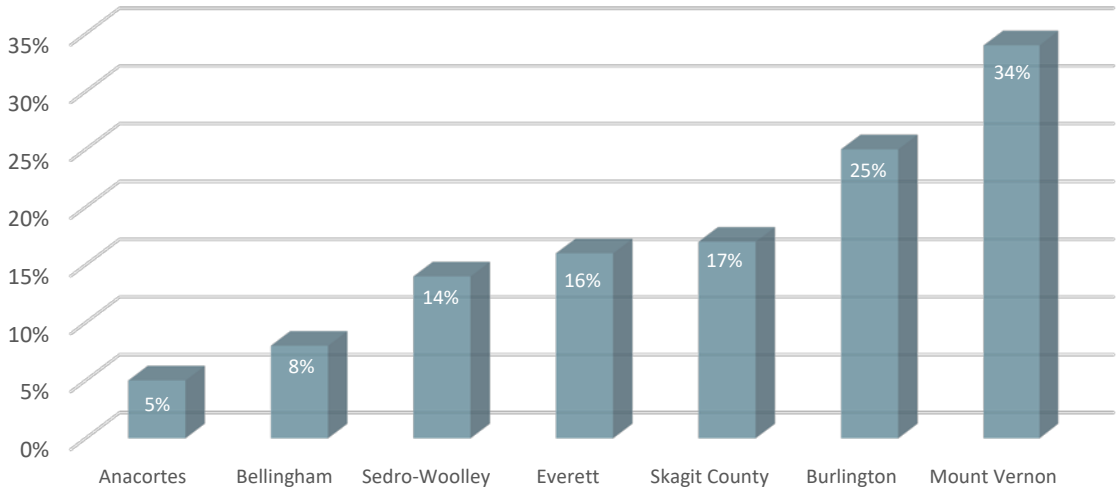
Table 3.12 shows how Mount Vernon's percentage of residents that are foreign born has changed between 1990 and 2014 and also provides comparisons to nearby jurisdictions. Between 1990 and 2014 the percentage of foreign born residents in Mount Vernon has increased by 153 percent, which is considerably higher than any of the other jurisdictions in **Table 3.12.**

TABLE 3.10: ETHNICITY – HISPANIC OR LATINO COMPOSITON COMPARISONS (2014)

	MOUNT VERNON	STATE OF WASHINGTON	UNITED STATES
Hispanic or Latino	34.3%	11.7%	16.9%

[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11.* Retrieved April 18, 2016, from http://factfinder.census.gov.

GRAPH 3.11: ETHNICITY – HISPANIC OR LATINO COMPOSITON COMPARISONS[1]



[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Age Group and Sex, Summary File 1, Tables P12, P13, and PCT12.* Retrieved April 18, 2016, from http://factfinder.census.gov.

TABLE 3.12: PERCENT OF FOREIGN BORN RESIDENTS COMPARED

	1990[1]	2000[2]	2010[2]	2014[3]	% CHANGE 1990 TO 2014
Mount Vernon	6.9%	19.5%	20%	17.5%	153.6%
Skagit County	4.9%	8.8%	10.6%	9.4%	91.8%
Burlington	6.6%	11.6%	16.3%	11.2%	69.7%
Sedro-Woolley	4.2%	3.7%	6.2%	4.3%	2.4%
Anacortes	4.2%	5%	6.9%	6.7%	59.5%

[1] U.S. Census Bureau; Census 1990 for listed jurisdictions. *Demographic Profile Data.*
[2] U.S. Census Bureau; Census 2000 and 2010 for listed jurisdictions. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11.* Retrieved April 18, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Race and Hispanic or Latino Origin, Summary File 1, Tables P5, P8, PCT4, PCT5, PCT8, and PCT11*Retrieved April 18, 2016, from http://factfinder.census.gov.

4.0
INCOME & POVERTY DATA

The subsections that follow contain detailed information regarding income and poverty in the City. The data presented in this section includes:

4.1: INCOME

4.2: POVERTY

4.1 INCOME

Both household and family measures are used in the following sections; and as such, it is important to know the difference between the two terms. According to the U.S. Census a family consists of two or more people (one of whom is the householder) related by birth, marriage, or adoption residing in the same housing unit. Whereas a household consists of all people who occupy a housing unit regardless of relationship. A household may consist of a person living alone or multiple unrelated individuals or families living together.

Table 4.0 and **Graphs 4.1 to 4.7** provide information on the City's median household income, median family income, and per capita income over time and as compared to nearby jurisdictions, the State of Washington and the United States. These income metrics for the City, as they stand today, and as how they have increased over the last 15 years, are of concern because the city lags behind most of the jurisdiction across all three income metrics.

Table F in **Appendix B** identifies census tracts 9522 and 9523.01 has having median household income, median family income, and per capita income that is notably lower than the City-wide averages. Conversely, census tract 9523.02 has notably higher median household income, median family income, and per capita income than the City-wide average.

TABLE 4.0: MOUNT VERNON INCOME OVER TIME

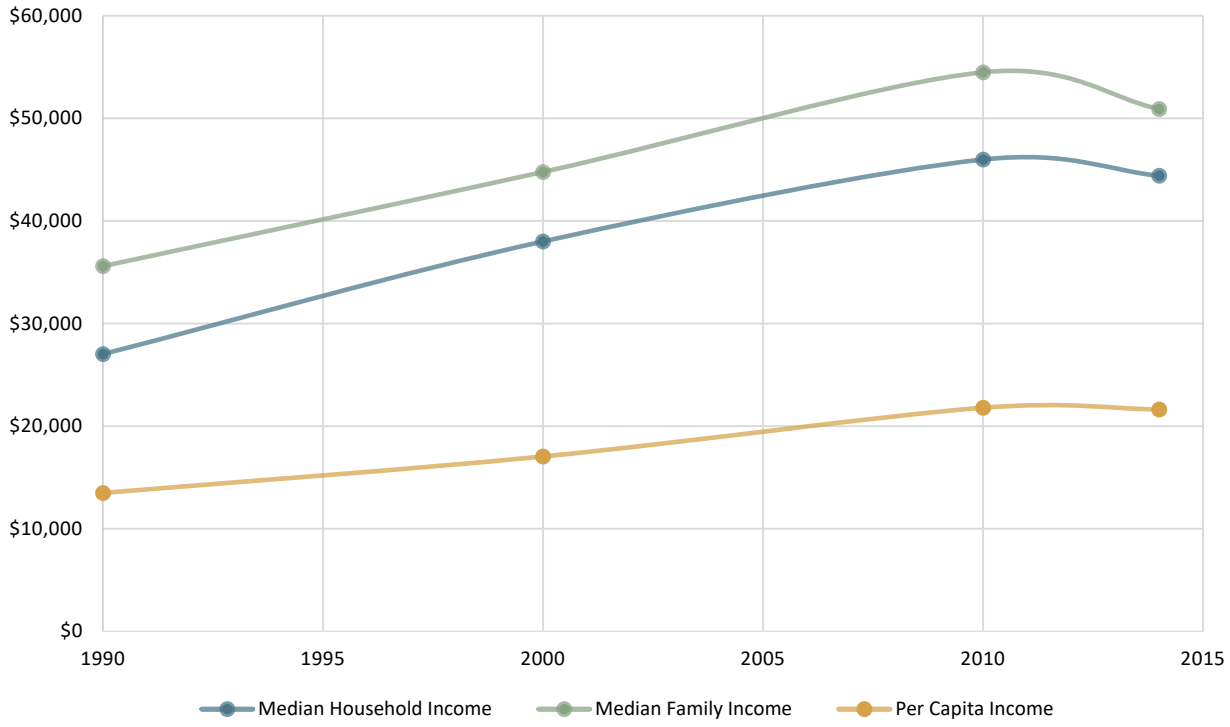
	MEDIAN HOUSEHOLD	MEDIAN FAMILY	PER CAPITA
1990[1]	$27,022.00	$33,593.00	$13,486.00
2000[2]	$37,999.00	$44,772.00	$17,041.00
2010[2]	$45,986.00	$54,487.00	$21,791.00
2014[3]	$44,404.00	$50,909.00	$21,623.00

[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Selected Economic Characteristics.*

[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

GRAPH 4.1: HOUSEHOLD AND FAMILY INCOME OVER TIME[1, 2, 3]



[1] U.S. Census Bureau; Census 1990 for Mount Vernon. *Selected Economic Characteristics.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

TABLE 4.2: INCOME MEASURES COMPARED, 2014[1]

	MOUNT VERNON	WA STATE	UNITED STATES	SKAGIT COUNTY	BURLING-TON	SEDRO-WOOLLEY	ANACOR-TES	BELLING-HAM	EVERETT
Median Household Income	**$44,404.00**	$60,294.00	$53,482.00	$54,917.00	$48,399.00	$44,014.00	$59,369.00	$42,440.00	$48,562.00
Median Family Income	**$50,909.00**	$73,039.00	$65,443.00	$65,063.00	$56,830.00	$48,234.00	$74,000.00	$63,355.00	$59,368.00
Per Capita Income	**$21,623.00**	$31,233.00	$28,555.00	$27,598.00	$22,052.00	$22,127.00	$33,107.00	$24,864.00	$25,981.00

[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

TABLE 4.3: MEDIAN HOUSEHOLD INCOME COMPARED[1]

	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
1999	**$37,999.00**	$42,381.00	$37,848.00	$37,914.00	$41,930.00	$32,530.00	$40,100.00
2010	**$45,986.00**	$54,811.00	$47,266.00	$51,733.00	$57,444.00	$38,136.00	$47,552.00
2014	**$44,404.00**	$54,917.00	$48,399.00	$44,014.00	$59,369.00	$42,440.00	$48,562.00
% Increase 1999 to 2014	**16.9%**	29.6%	27.9%	16.1%	41.6%	30.5%	21.1%

[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

TABLE 4.4: MEDIAN FAMILY INCOME COMPARED[1]

	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
1999	**$44,772.00**	$48,347.00	$42,083.00	$40,918.00	$49,531.00	$47,196.00	$46,743.00
2010	**$54,487.00**	$63,468.00	$55,658.00	$56,200.00	$68,229.00	$58,149.00	$56,641.00
2014	**$50,909.00**	$65,063.00	$56,830.00	$48,234.00	$74,000.00	$63,355.00	$59,368.00
% Increase 1999 to 2014	**13.7%**	34.6%	35%	17.9%	49.4%	34.2%	27%

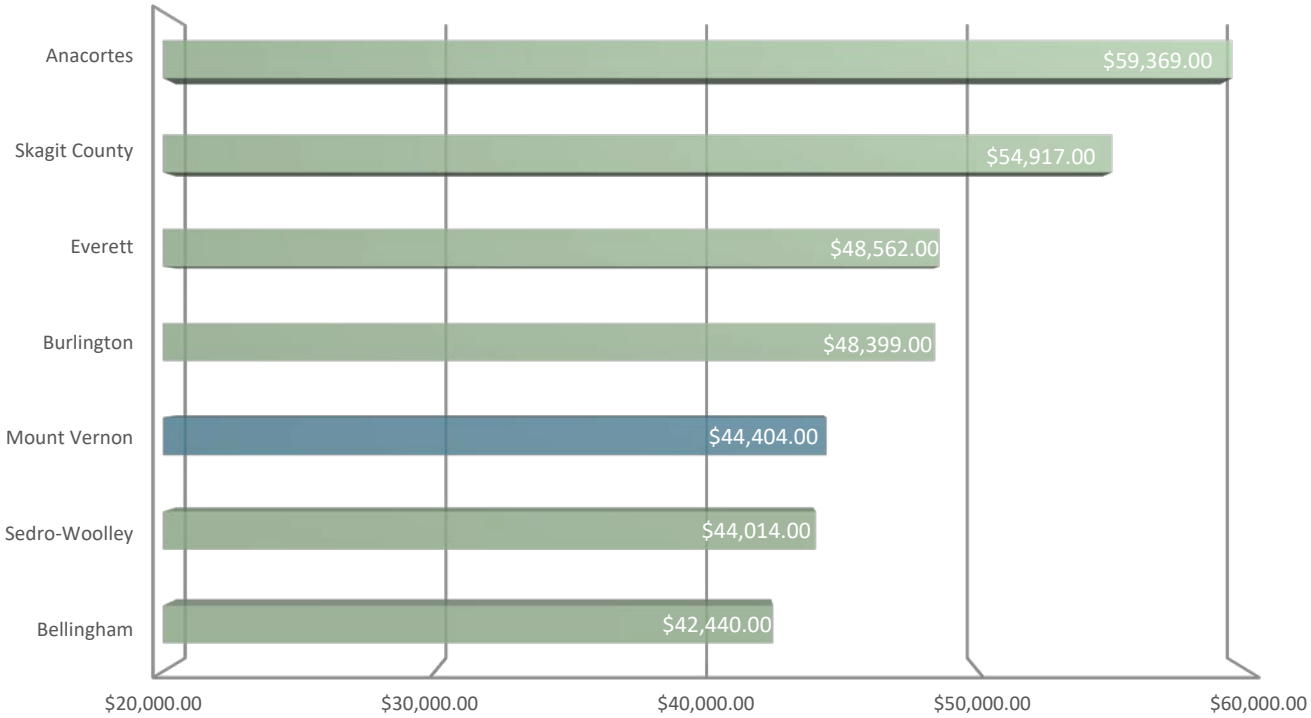
[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

TABLE 4.5: PER CAPITA INCOME COMPARED[1]

	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
1999	**$17,041.00**	$21,256.00	$17,167.00	$16,517.00	$22,297.00	$19,483.00	$20,577.00
2010	**$21,791.00**	$26,925.00	$20,542.00	$23,751.00	$31,003.00	$23,288.00	$24,345.00
2014	**$21,623.00**	$27,598.00	$22,052.00	$22,127.00	$33,107.00	$24,864.00	$25,981.00
% Increase 1999 to 2014	**26.9%**	29.8%	28.5%	34%	48.5%	27.1%	26.3%

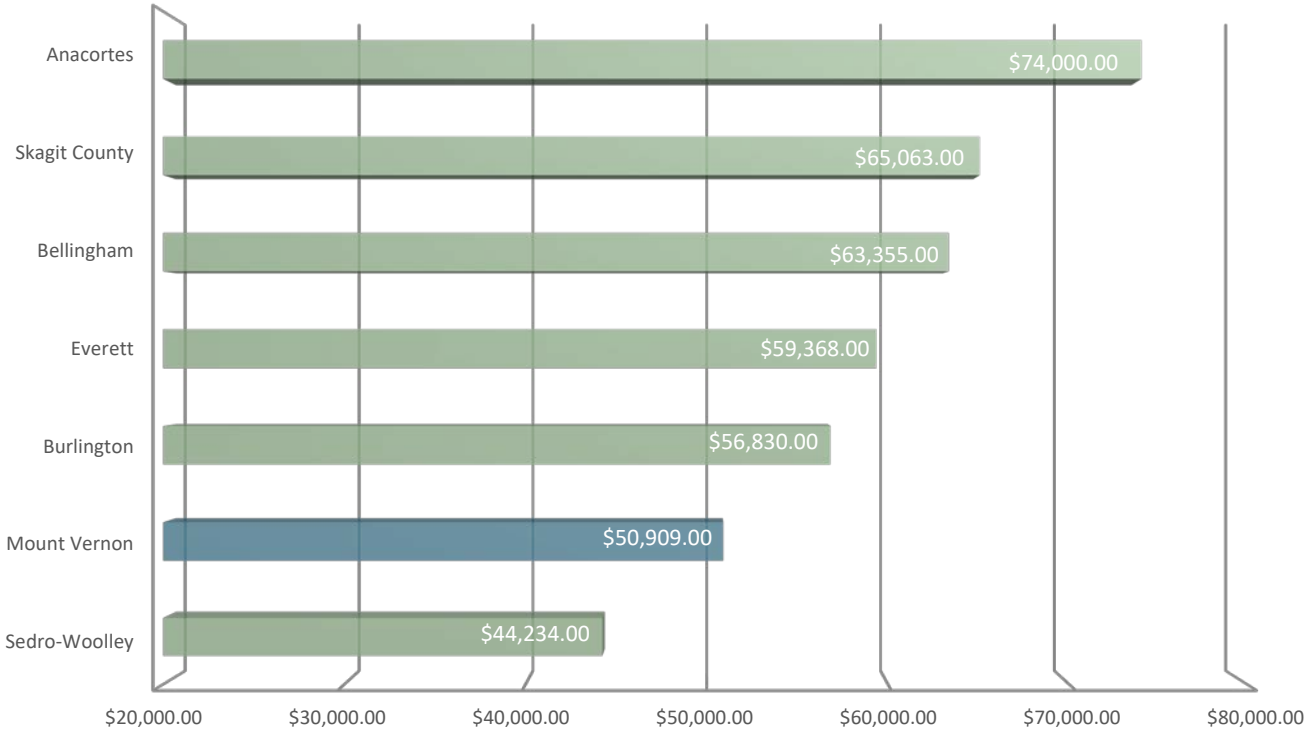
[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

GRAPH 4.6: MEDIAN HOUSEHOLD INCOME (2014) COMPARED[1]



[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

GRAPH 4.7: MEDIAN FAMILY INCOME (2014) COMPARED[1]



[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

4.2 POVERTY

Consistent with Federal guidelines, the U.S. Census uses income thresholds that vary by family size and composition to determine poverty rates. If a family's total income is less than the threshold that family, and every individual in that family, is considered living in poverty. The poverty thresholds do not vary geographically (i.e. the threshold is the same across the entire United States); however, they are updated for inflation. The income threshold uses funds received before taxes and does not include capital gains or noncash benefits such as public housing, Medicaid, or food stamps.

In 2014, the poverty threshold for a family of two adults and two children was $19,073.00. According to 2014 Census data, 16.6 percent of Mount Vernon families were below the poverty level (a total of 1,269 families) with 57 percent of these families having related children under the age of 18.

Between 1989 and 2014 there has been an 8.5 percent increase in the number of individuals below the poverty level. In 1990 this rate was 13.2 percent and in 2014 it is 21.7 percent.

Even though the Federal guidelines do not measure households receiving public assistance when analyzing poverty rates it can be a useful metric to examine. In Mount Vernon the overall percent of households receiving public assistance or supplemental security income has remained fairly constant from 2000 to 2014; however, there has been a notable increase in households using food stamps (renamed SNAP) from 15.5 percent in 2010 to 23.6 percent in 2014.

Table 4.9 shows in 2014 Mount Vernon had a higher percentage of individuals and families living in poverty; and using food stamps, than unincorporated Skagit County and its incorporated cities.

TABLE 4.8: POVERTY AND PUBLIC ASSISTANCE IN MOUNT VERNON

	1989[1]	2000[2]	2010[2]	2014[3]
Households with Public Assistance Income	NA	4.6%	4.6%	3.8%
Households with Supplemental Security Income	NA	3.9%	4.9%	4.3%
Households Using Food Stamps (SNAP)	NA	NA	15.1%	23.6%
Individuals Below Poverty Level	13.2%	15.9%	15.5%	21.7%
Families Below Poverty Level	9.8%	10.8%	11%	16.6%

[1] U.S. Census Bureau; Census 1989 for Mount Vernon. *Selected Economic Characteristics.*
[2] U.S. Census Bureau; Census 2000 and 2010 for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.
[3] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

TABLE 4.9: POVERTY AND PUBLIC ASSISTANCE COMPARISONS (2014)[1]

JURISDICTIONS:	MOUNT VERNON	SKAGIT COUNTY	BURLINGTON	SEDRO-WOOLLEY	ANACORTES	BELLINGHAM	EVERETT
Individuals Below Poverty Level	**21.7%**	14.9%	17.1%	20.1%	10.1%	23.2%	18%
Families Below Poverty Level	**16.6%**	10%	15.1%	11.9%	7.2%	14%	14%
Households with Public Assistance Income	**3.8%**	3.9%	6.3%	6.3%	2.4%	3.5%	6.6%
Households with Supplemental Security Income	**4.3%**	4.2%	6.8%	2.9%	3.8%	6.3%	7.1%
Households Using Food Stamps (SNAP)	**23.6%**	16.4%	21.6%	23.3%	10.8%	16.4%	21.3%

[1] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 21, 2016, from http://factfinder.census.gov.

5.0

HOMELESS & SPECIAL NEEDS POPULATIONS

Those that are homeless and special needs populations are discussed in this section of the Housing Element due to the unique characteristics and particularly vulnerable nature of these populations. Additionally, services that need to be targeted to help these populations achieve stability can be different from what is needed by other populations profiled in other parts of this Element.

The U.S. Department of Housing and Urban Development (HUD) defines special needs populations as including those that are: elderly, severely mentally ill, addicted to drugs/alcohol or other substances, developmentally disabled, infected with HIV/AIDS, physically disabled, and victims of domestic violence.

While all Skagit County communities have special needs populations, Mount Vernon, because it is the largest urban community and the County seat, has the majority of social and health services located within its jurisdictional boundaries. For example, almost 75 percent of the beds in emergency shelters for the homeless are in Mount Vernon.

This section is organized into the following sub-sections:

5.1: HOMELESS

5.2: GROUP QUARTERS

5.3 EXISTING FACILITIES

5.1: HOMELESS

In 2005 the State of Washington passed RCW 43.185C, titled the Homeless Housing and Assistance, and made findings that:

> *"there are many causes of homelessness, including a shortage of affordable housing; a shortage of family-wage jobs which undermines housing affordability; a lack of an accessible and affordable health care system available to all who suffer from physical and mental illnesses and chemical and alcohol dependency; domestic violence; and a lack of education and job skills necessary to acquire adequate wage jobs in the economy of the twenty-first century".*

Collecting, analyzing and reporting homeless data presents challenges for the City primarily due to the nature of homelessness and ways that homeless are defined and counted by different Federal and State agencies. Data on the homeless is reported on a County-wide, not City-specific basis which is different than the housing, population, income and other related data found in this Element that is specific to areas within the City limits alone.

Table 5.0 provides data on the 2015 homeless count for Skagit County. The collection of this data is mandated by RCW 43.185C that directs the WA State Department of Commerce to conduct an annual Washington homeless census of count to include homeless "living outdoors, in shelters, and in transitional housing…"

Tables 5.1 and **5.2** contain data from sources other than the Washington State Department of Commerce because they provide valuable metrics with regard to homelessness. Noteworthy is the difference in the number of homeless reported between **Tables 5.0, 5.1 and 5.1** primarily attributable to how the homeless are defined by each entity collecting and reporting this data.

Table 5.1 is from Community Action's Housing Resource Center and represents homeless in Skagit County versus in the city limits alone. **Table 5.2** and **Graph 5.3** is data on homeless children from the Mount Vernon School District (District). The District is required per Federal statute (McKinney-Vento Homeless Assistance Act of 1987, Pub. L. 100-77, July 22, 1987, 101 Stat. 482, 42 U.S.C. § 11301 et seq) to track homeless children and ensure that these children have adequate access to school and transportation services.

TABLE 5.0: 2015 SKAGIT COUNTY HOMELESS COUNT[1]

CATEGORY OF HOMELESS	# OF PERSONS
SHELTERED	
HH w/out Minors	54
HH w/ Minors	95
HH w/only minors	3
Total Sheltered	152
UNSHELTERED	
HH w/out Minors	154
HH w/ Minors	45
HH w/only minors	0
Total Unsheltered	199
CHRONICALLY HOMELESS	
Emergency Shelter & Safe Haven	10
Unsheltered	52
Total Chronically Homeless	62
OVERALL TOTAL	413

[1] Washington State Department of Commerce. *Annual Point in Time Count, 2015.* Retrieved April 25, 2016, from http://www.commerce.wa.gov

TABLE 5.1: COMMUNITY ACTION HOUSING RESOURCE CENTER HOMELESS DATA[1]

	2014	2015	JAN. TO JULY OF 2016
Homeless	1,085	1,016	807
At Imminent Risk of Losing Housing	214	709	367
Fleeing Domestic Violence	26	221	169
Chronically Homeless	6	27	64

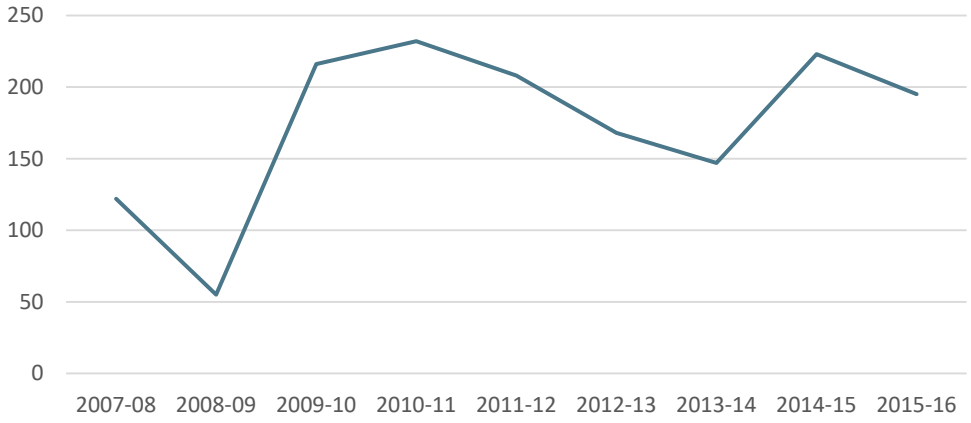
[1] Skagit County Community Action. Housing Resource Center Homeless Data. Retrieved September 7, 2016, http://www.communityactionskagit.org

TABLE 5.2: MVSD HOMELESS STUDENTS DATA[1]

SCHOOL YEAR	PRE-K TO GRADE 5	GRADES 6 TO 8	GRADES 9 TO 12	TOTAL
2015-16	122	34	39	**195**
2014-15	123	40	60	**223**
2013-14	91	39	17	**147**
2012-13	111	36	21	**168**
2011-12	140	55	13	**208**
2010-11	154	61	17	**232**
2009-10	138	38	40	**216**
2008-09	36	16	3	**55**
2007-08	70	32	20	**122**

[1] State of WA, Office of Superintendent of Public Instruction. Education of Homeless Children and Youth, Data Collection and Reports. Retrieved September 7, 2016, http://www.k12.wa.us/HomelessEd/Data.aspx

GRAPH 5.3: HOMELESS STUDENTS IN MVSD BY SCHOOL YEAR[1]



[1] State of WA, Office of Superintendent of Public Instruction. Education of Homeless Children and Youth, Data Collection and Reports. Retrieved September 7, 2016, http://www.k12.wa.us/HomelessEd/Data.aspx

5.2: GROUP QUARTERS

Group quarters are discussed within this section because many times those living in group quarters are considered special needs populations. **Table 5.4** shows that as a percent of total population Mount Vernon's group quarters have remained fairly constant since 2000. Worth mentioning is that Mount Vernon has a higher percentage of these facilities than Skagit County and its incorporated cities.

Group quarters are identified and tracked by the Census Bureau because they are not typical household-like living arrangements. Group quarters are places where people live or stay in a group living arrangement, owned or managed by an entity or organization providing housing and other support services for the residents. Group quarters include residential treatment centers, skilled nursing facilities, group homes, correctional facilities and other similar arrangements.

TABLE 5.4: GROUP QUARTERS OVER TIME & COMPARED

	2014[2]	PERCENT OF POPULATION	2010[1]	PERCENT OF POPULATION	2000[1]	PERCENT OF POPULATION
Mount Vernon	740	2.3%	723	2.3%	764	2.9%
Skagit County	1,820	1.5%	1,696	1.5%	1,841	1.8%
Burlington	110	1.3%	106	1.3%	184	2.7%
Sedro-Woolley	170	1.6%	81	.8%	255	2.9%
Anacortes	114	.7%	0	0%	129	.9%
Bellingham	4,807	5.9%	4,683	5.9%	4,593	6.8%
Everett	3,485	3.3%	3,901	3.8%	4,203	4.6%

[1] U.S. Census Bureau; Census 2000 and 2010 for listed jurisdictions. *General Housing and Population Characteristics, Summary File 1, Tables P5, P6, P8, P12, P13, P17, P19, P20, P25, P29, P31, P34, P37, P43, PCT5, PCT8, PCT11, PCT12, PCT19, PCT23, PCT24, H3, H4, H5, H11, H12, and H16.* Retrieved April 25, 2016, from http://factfinder.census.gov.

[2] U.S. Census Bureau; 2014 American Community Survey for listed jurisdictions. *General Housing and Population Characteristics, Summary File 1, Tables P5, P6, P8, P12, P13, P17, P19, P20, P25, P29, P31, P34, P37, P43, PCT5, PCT8, PCT11, PCT12, PCT19, PCT23, PCT24, H3, H4, H5, H11, H12, and H16.* Retrieved April 25, 2016, from http://factfinder.census.gov.

5.3: EXISTING FACILITIES

The City is fortunate to have a number of organizations and agencies located in the city that provide vital services to special needs populations. Following is a summary of a handful of these organizations and agencies that do this very important work.

+ Community Action of Skagit County is a private non-profit human service agency that provides an impressive 35 anti-poverty programs throughout Skagit County. Community Action is one of approximately 1,000 similar agencies across the United States that were formed following the adoption of the Economic Opportunity Action by then President Lynden Johnson in 1964. In 2014 without considering 'in-kind' income Community Action was funded primarily through Federal, State and Local sources (49.6 percent Federal, 33.7 percent State/Local).

+ The Friendship House, located in Mount Vernon, is a privately operated, non-profit facility that provides the majority of the shelter services in Skagit County. In addition to the emergency shelters that Friendship House operates they also provide transitional housing, a no-cost daily meal service, the Hunger to Hope program that address unemployment and hunger through food service training, and other services.

+ Skagit County's Human Services Department funds and coordinates several different programs and services throughout Skagit County including their Behavioral Health Program and Meals on Wheels.

+ Other service providers for special needs populations located in Mount Vernon include SeaMar Community Health Centers, Compass Health, Phoenix Recovery Services, Sunrise Services, Oasis Teen Shelter operated by the Skagit Valley YMCA, Youthnet, Northwest Youth Services, Skagit Domestic Violence & Sexual Assault Services, and food banks run by Skagit Valley Neighbors in Need and Skagit Gleaners.

6.0

HOUSING AFFORDABILITY

Housing is affordable when a household, after paying for their rent or mortgage and basic utilities, has enough income left to pay for other necessities like transportation, food, medical care, and other such essentials.

This means there are two primary variables that need to be compared to determine whether housing is affordable; or unaffordable – **housing cost and income**. As one might expect, the relationship between housing cost and income becomes more critical when households are making less income than the average household does.

Federal housing policy in 1968 set the precedent for evaluating gross income spent on housing (plus basic utilities) as a benchmark to measure affordable housing. Currently, the U.S. Department of Housing and Urban Development (HUD) uses both 30 percent and 50 percent measures of income-to-housing to describe unaffordable housing. HUD considers a household paying more than 30 percent of their income on housing as "cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care". Further, HUD considers families paying more than 50 percent of their income for housing "extremely cost burdened".

A second, but still related way, of determining affordable housing was founded by the National Low Income Housing Coalition. This method calculates the amount of income a household needs to afford paying "Fair Market Rent" with spending no more than 30 percent of their income on housing. "Fair Market Rent" is a calculation that HUD completes every year to determine the cost of a modest rental unit within a particular area.

Although the comparison of amount of income spent on housing costs is the conventional way that housing affordability has been, and continues to be, measured by many it does have its limitations that need to be understood when evaluating the results – or basing policy - on such analysis.

The Joint Center for Housing Studies at Harvard University summed up the shortfalls of these types of cost burden analysis (percent of income-to-housing approaches) by stating:

> *"Importantly, standard measures fail to take into account tradeoffs that people make to lower housing costs. These tradeoffs include housing quality, neighborhood quality, and location. Making these tradeoffs can impose other costs on households. These added costs are not now captured by the simple approach of measuring only the share of income households spend on their housing. Counting a portion of those who incur such costs would add to counts of the number of households with housing affordability problems. For example, households in the bottom expenditure quartile that spend 30 percent or less on housing spend on average $100 more on transportation than those that allocate over half their outlays to housing. Should this $100 tradeoff get added back to housing costs when estimating who is spending more than a certain amount on housing? Should the time value of longer commutes get added in as well?"* (Belsky, Goodman, Drew, 2005, p. i).

Even with their limitations, methods that measure housing cost-to-income are still the best way to estimate housing affordability, or unaffordability, in Mount Vernon.

The sections that follow are organized into these broad topic areas:

6.1: SCOPE OF THE ISSUE

6.2: HISTORIC & EXISTING CONDITION

6.3: INCOME NEEDED TO AFFORD HOUSING

6.4: SUBSIDIZED HOUSING

6.1 SCOPE OF THE ISSUE

The lack of affordable housing is an ever-growing problem in Skagit County, Mount Vernon and nationwide. The Urban Institute published a paper in June of 2015 that states:

> "*Since 2000, rents have risen while the number of renters who need low-priced housing has increased. These two pressures make finding affordable housing even tougher for very poor households in America. Nationwide, only 28 adequate and affordable units are available for every 100-renter households with incomes at or below 30 percent of the area median income. Not a single county in the United States has enough affordable housing for all its extremely low-income (ELI) renters"* (Leopold, Getsinger, Blumenthal, Abazajiian, Jordan, 2015, p. 1).

The City's role in affordable housing issues, although limited, is important. The City does not build or maintain affordable housing units. The City's primary role is through the adoption and implementation of development regulations that govern the use of land and by being the authority that takes projects through their respective permitting processes.

Given that the lack of affordable housing is a nationwide problem the City is able to evaluate, and learn, from what other jurisdictions have done successfully – and not so successfully. With this in mind, it is of the upmost importance when evaluating successful affordable housing approaches that one understands:

1. How the program/approach was funded – e.g., does the City have access to the same or similar funding source; and,

2. The demographic and economic forces at play – e.g., does this other jurisdiction have a shortage of job and retail/sales tax producing land similar to Mount Vernon's?

6.2 HISTORIC & EXISTING CONDITIONS

The following analysis uses two different ways to measure how cost burdened Mount Vernon households are. The first way uses HUD's decades old approach of measuring the amount of household income spent on housing. The second way uses an approach of measuring the income needed, as a yearly total and hourly wage, to afford what is described as a modest rental unit within the City. Even though both approaches are measuring housing costs-to-income they provide eye opening data with regard to the magnitude of this issue.

HUD'S 30/50 PERCENT MEASURES

Measuring the amount of income spent on housing provides insight into the amount of income left (after paying for housing) to pay for other household needs such as food, transportation, medical care. HUD's standard measurement is to categorize those that are paying more than 30 percent of their gross (before tax) income on housing (including basic utilities) as being cost burdened. Further, HUD categorizes those paying more than 50 percent of their gross income on housing as being extremely cost burdened.

Although it is of interest to measure higher income households that are spending more than 30 or 50 percent of their income on housing; the income left after spending this amount on housing is more than adequate to pay for other essential household needs. For example, an upper-income household with a gross income of $200,000.00 that is spending (in rounded numbers) $67,000.00 to $100,000.00 per year on housing is left with $100,000.00 to $133,000.00 to spend on other needs. For this reason, households that are in lower income brackets are separated out within the data that follows.

To delineate the different income levels HUD sets income limits (as required by Federal statute) for extremely low, very low, low, and moderate income households that determines the eligibility of applicants for HUD's various housing programs. **Table 6.0** summarizes these limits and adds a city specific metric for middle income households too. Middle income households are not defined by HUD; but since this is a term used within this Element it was important to define this term. Most, if not all, federal programs that provide some form of housing assistance define households in terms of the amount of income they earn in relation to the average income of the surrounding area. This average income is termed "Area Median Income" or AMI for many federal programs.

Using the AMI, or other similar benchmarks, households are grouped according to the household income as a percentage of the AMI.

To determine how these income levels translate in terms of actual income **Table 6.1** uses the 2015 Area Median Income (AMI) for the Mount Vernon-Anacortes, WA Metropolitan Statistical Area (MSA) and calculates these amounts for a family of four.

TABLE 6.0: INCOME CLASSIFICATIONS

% OF AMI	CLASSIFICATION
0% to 30% AMI	Extremely Low Income Households[1]
31% to 50% AMI	Very Low Income Households[1]
51% to 80% AMI	Low Income Households[1]
81% to 95% AMI	Moderate Income Households[1]
96% to 120% AMI	Middle Income Households[2]

[1] U.S. Department of Housing & Urban Development. *Resources, Definitions of Extremely Low, Very Low, Low, and Moderate Income.* Retrieved May 2, 2016, from https://www.huduser.gov

Using the income classifications from **Table 6.0**, and the Comprehensive Housing Affordability Strategy (CHAS) Data Query Tool from HUD, Mount Vernon's households can be categorized as shown in **Table 6.2.** This data is from 2008 – 2012 and is based on 11,450 households.

Table 6.2 shows that renters are significantly more cost burdened than home owners are in Mount Vernon. Nearly 35 percent of renter households in the City, that are making 80 percent (or less) of the area median income (AMI), are paying more than 30 percent of their income on housing; further, nearly one-third of these households are paying more than 50 percent of their income on housing.

TABLE 6.1: MOUNT VERNON MSA AREA MEDIAN INCOME (AMI)[1]

FAMILY INCOME LEVEL	% OF MEDIAN INCOME	UPPER INCOME LIMIT FY 2015 FAMILY OF 4
2015 MEDIAN INCOME: $68,200		
Extremely Low Income	0% - 35%[2]	$24,250
Very Low Income	36% - 50%	$34,100
Low Income	51% - 80%	$54,550
Moderate Income	81% - 95%	$64,790
Middle Income	96% - 120%	$81,840
Upper Income	121% and more	$82,522 and up

[1] U.S. Department of Housing & Urban Development. *Income Limits Documentation System.* Retrieved May 2, 2016, from https://www.huduser.gov

[2] This percentage can vary geographically due to the Federal 2014 Consolidated Appropriations Act that changed this definition. It is now either the greater of 30/50th (60%) of the Section 6 very low-income limit or the poverty guideline established by the Department of Health and Human Services (HHS); provided it is not greater than the Section 8, 50% very low-income limit.

ILLUSTRATION OF DATA IN TABLE 6.1:

Contrasted with homeowners, we see that 19.8 percent of homeowners are paying more than 30 percent of their income on their housing with a little less than one-third of these homeowners paying more than 50 percent of their income on housing.

Taken together we see that 36 percent of Mount Vernon households (both rented and owned) are paying more than 30 percent of their income on housing; and 18.4 percent are paying more than 50 percent of their income on housing. Collectively this means that 54.4 percent of Mount Vernon households are burdened with the cost of their housing. This is over half of the City's households.

What the CHAS data in **Table 6.2** is not able to tell us is whether there are specific areas of the City where concentrations of housing exist where occupants are paying more than 30 percent of their income on housing. To determine this U.S. Census data for census tracts was analyzed. This data shows that as a percentage in census tract 9524.01 there are more homeowners paying more than 30 percent of their income on housing; whereas, census tracts 9524.02 and 9526 both have high percentages of renters paying more than 30 percent of their income on housing at 73.3 percent and 78.0 percent, respectively (see **Table G** in **Appendix B**).

Table 6.3 compares this data to Skagit County and the U.S. as a whole. This comparison shows us that Mount Vernon has significantly more renters than Skagit County and the U.S. that are paying more than 30 percent of their income on housing in the identified low income categories.

TABLE 6.2: COST BURDENED HOUSING – MOUNT VERNON MSA[1]

HOUSEHOLD INCOME LEVEL	% OF MEDIAN INCOME	# OF RENTERS PAYING > 30% INCOME ON HOUSING[2]	# OF RENTERS PAYING > 50% INCOME ON HOUSING[2]	# OF OWNERS PAYING > 30% INCOME ON HOUSING[3]	# OF OWNERS PAYING > 50% INCOME ON HOUSING[3]
# OVERALL HOUSEHOLDS DATA BELOW IS BASED ON: 11,450					
Extremely Low Income	0% - 30%	1,005	845	180	165
Very Low Income	31% - 50%	1,035	425	470	315
Low Income	51% - 80%	615	35	820	320
Moderate Income	81% - 100%	55	15	240	25
Middle Income +	101% +	80	15	645	25
TOTAL Low Income Levels **Renters**		**2,655 (23.2%)**	**1,305 (11.4%)**		
TOTAL Low Income Levels **Owners**				**1,470 (12.8%)**	**800 (7%)**

[1] U.S. Department of Housing & Urban Development. *Consolidated Planning, CHAS Data, 2008 to 2012*. Retrieved May 2, 2016, from https://www.huduser.gov

[2] Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities).

[3] For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes.

TABLE 6.3: COST BURDEN HOUSEHOLDS COMPARED[1]

	MOUNT VERNON	SKAGIT COUNTY	UNITED STATES
Extremely Low, Very Low and Low Income Households:			
Renters Spending More than 30% Income on Housing	23.2%	13.7%	14.6%
Renters Spending More than 50% Income on Housing	11.4%	7.2%	8.1%
Owners Spending More than 30% Income on Housing	12.8%	11.5%	10.9%
Owners Spending More than 50% Income on Housing	7.0%	6.6%	6.2%
TOTAL Owners + Renters 30% & 50%:	**54.4%**	**39%**	**39.8%**

[1] U.S. Department of Housing & Urban Development. *Consolidated Planning, CHAS Data, 2008 to 2012*. Retrieved May 2, 2016, from https://www.huduser.gov

6.3: INCOME NEEDED FOR AFFORDABLE HOUSING

Another way to conceptualize affordable housing is to calculate the yearly income and hourly wage that is necessary for a household to afford a median priced home that is either rented or owned. In Mount Vernon the Fair Market Rent (this includes basic utilities) in 2015 was $988.00; and the median priced home in 2014 was valued at $210,700.00.

Table 6.4 identifies the yearly income and hourly wage that is required to afford renting a modest, two bedroom home in Mount Vernon, Snohomish and Whatcom counties along with the United State as a whole.

When evaluating affordable housing this way it is helpful analyze the average hourly and yearly wages earned by those in the community. **Table 6.5** takes data from the Bureau of Labor Statistics and organizes this data for this type of comparison. **Table 6.4** shows that a household needs to make a minimum of $19.00/hour to afford housing; in **Table 6.5** we can see the type of job necessary to earn this wage.

To keep housing at 30 percent of income households making less than $19.00/hour need to work more hours, have more than one job, or have more than one income earner per household.

Table 6.6 provides data on the income required to purchase, versus renting, a home in Mount Vernon.

This table shows that a low income family of four (earning $54,560.00/year) can only afford to purchase a median priced home in Mount Vernon if they have $47,900.00 in hand to use as a 20% down payment on a home to keep their housing costs at 30 percent of their income.

Putting 5 percent as a down payment on a median priced home means that a yearly income of $66,840.00 would be necessary to keep housing costs no more than 30 percent of income. In addition to higher costs due to financing more of a home, mortgage insurance is also generally required when less than a 20 percent down payment is made.

Comparing the annual income necessary to keep the costs of owning a home at 30 percent of income to the household income categories in Mount Vernon according to the U.S. Census from 2014 we find that 45 percent of Mount Vernon households could keep their housing costs below 30 percent if they were able to qualify for a 30-year fixed rate loan at 4 percent interest and if they have a 20 percent down payment. This percentage drops to 36 percent of homeowners using the same comparison with different financing/insurance requirements of 30-year fixed rate loan at 5 percent interest with a 5 percent down payment.

TABLE 6.4: YEARLY INCOME & HOURLY WAGE TO AFFORD RENTING[1]

	MOUNT VERNON	SNOHOMISH COUNTY	WHATCOM COUNTY	UNITED STATES
Fair Market Rent:	$988.00	$1,415.00	$948.00	$1,006.00
Housing wage	$19.00/hour	$27.21/hour	$18.23/hour	$19.35/hour
Annual Income needed to afford 2-bedroom FMR	$39,520.00	$56,600.00	$37,920.00	$40,240.00

[1] U.S. Department of Housing & Urban Development. *Fair Market Rent Documentation System for listed jurisdictions.* Retrieved May 2, 2016, from https://www.huduser.gov

TABLE 6.5: HOURLY & YEARLY WAGES IN MOUNT VERNON-ANACORTES AREA[1]

JOB CATEGORY	MEDIAN HOURLY WAGE	MEAN MONTHLY INCOME	MEAN ANNUAL WAGE FULL TIME WORK	AFFORDABLE MONTHLY HOUSING COST AT 30% INCOME
Minimum Wage	$9.32	$1,615.00	$19,385.00	$484.00
Childcare Workers	$10.48	$1,870.00	$22,440.00	$561.00
Cashiers	$11.37	$2,194.00	$26,330.00	$658.00
Bank teller	$12.87	$2,217.00	$26,610.00	$665.00
Waiter/Waitresses	$11.72	$2,891.00	$34,700.00	$868.00
Medical Assistant	$17.30	$3,051.00	$36,620.00	$916.00
Auto Mechanic	$22.22	$3,799.00	$45,590.00	$1,140.00
Carpenters	$26.12	$4,630.00	$55,570.00	$1,389.00
Office Manager	$27.01	$4,680.00	$56,170.00	$1,404.00
Elementary School Teacher	NA	$4,810.00	$57,730.00	$1,443.00
Registered Nurse	$33.40	$5,993.00	$71,920.00	$1,798.00
Police/Sheriff Patrol Officer	$34.92	$6,085.00	$73,030.00	$1,826.00
Sales Managers	$55.47	$10,057.00	$120,690.00	$3,017.00
Doctors (family and general practice)	$108.14 (mean as median not available)	$18,745.00	$224,940.00	$5,623.00

[1] Bureau of Labor Statistics. *Wages and Salaries.* Retrieved May 2, 2016, from https://www.bls.gov

TABLE 6.6: HOMEOWNERSHIP AFFORDABILITY – MOUNT VERNON

HOUSING/MORTGAGE CHARACTERISTICS	4% INTEREST, 20% DOWN, 30-YEAR FIXED LOAN	5% INTEREST, 5% DOWN, 30-YEAR FIXED LOAN
Median Sales Price for Single Family Home	$239,500[1]	$239,500[1]
Estimated annual taxes, assessments, and fees (14.8911/1000 assessed value)[2]	$ 3,566.00	$ 3,566.00
Total Annual Mortgage, Taxes, and Insurance for a Median Priced Home in Mount Vernon[3]	$15,187 $1,265/month	$20,052/year $1671/month (includes mortgage insurance[3])
Year 2015, income level at 80% of median AMI, family of 4[4]	$54,560	$54,560
Annual income necessary to afford the median single family home spending 30% of income	$50,623	$66,840

[1] Median calculated by taking an average of the 2015 median home prices for Skagit County from data published by the University of Washington's Runstad Center for Real Estate of $257,800.00 and an estimate from Zillow of Mount Vernon's average home sales price in 2015 of $222,000.00

[2] The Mount Vernon 2016 total Levy rate of 14.8911 was used

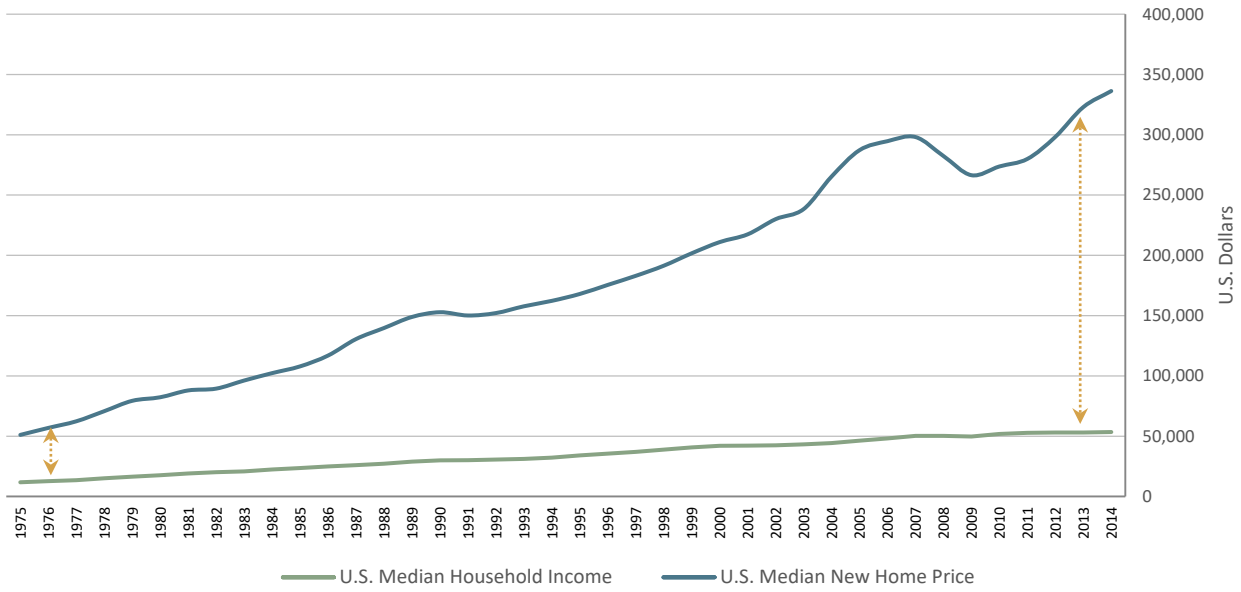
[3] Assumes a cost of homeowners insurance of $645.00/year and mortgage insurance of .52% for the example where less than 20% was put down on the home

[4] U.S. Department of Housing & Urban Development. Income Limits Documentation System. Retrieved May 2, 2016, from https://www.huduser.gov

Graph 6.7 shows how median income and the median price of a new home across the U.S. have changed from 1975 to 2014. This graph shows that the cost of new homes is rising much faster than the income needed to pay for them.

In Mount Vernon we observe a similar trend over the last several decades with the price of new homes and rents increasing at a much faster pace than median incomes have - **Table 6.7** shows this relationship. Striking are the increases in rent and home values between 1990 to 2000 and 2000 to 2010 that are significantly larger than the increase in income measured over the same timeframes.

GRAPH 6.7: NATIONWIDE INCOME[1] vs NEW HOME PRICES OVER TIME[2]



[1] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. Table H-6, All Races by Median and Mean Income: 1975 to 2014, Income in current and 2014 CPI-U-RS adjusted dollars.
[2] U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. Table H-6, Mean Home Prices: 1975 to 2014.

TABLE 6.8: HOME COSTS VS. INCOME – MOUNT VERNON[1]

PERCENT CHANGE IN MEDIAN HOUSEHOLD INCOME OVER THE TIMEFRAMES LISTED			PERCENT CHANGE IN MEDIAN HOUSEHOLD RENT & HOME VALUES OVER THE TIMEFRAMES LISTED		
				Rent	Home Value
1990 to 2000	**41%**	VS.	1990 to 2000	**54%**	**73%**
2000 to 2010	**21%**		2000 to 2010	**28%**	**72%**

	MEDIAN INCOME	PERCENT INCREASE	MEDIAN GROSS RENT	PERCENT INCREASE	MEDIAN HOUSE VALUE	PERCENT INCREASE
1990	$27,022		$426		$78,500	
2000	$37,999	40.6%	$655	53.8%	$136,100	73.4%
2010	$45,986	21%	$837	27.8%	$233,900	71.9%

[1] U.S. Census Bureau; Census 1990, 2000 and 2010 for Mount Vernon. *Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Retrieved April 25, 2016, from http://factfinder.census.gov.

6.4 SUBSIDIZED HOUSING

Housing that the government, charities or other non-profit agencies pay for (in whole or part) constitutes subsidized housing. Common forms of subsidies include direct payments for housing (generally called vouchers), public housing, housing supplements, different forms of co-operatives, and tax credits that are used to build income restricted housing.

The federal government provides the largest source of funding for subsidized housing primarily to assist renters. These federal subsidies are either demand-side, meaning that the subsidy pays for housing selected in a local housing market; or supply-side, meaning that the subsidy lowers the cost of creating and maintaining housing units at affordable levels.

HUD is the primary federal agency that administers and funds housing programs that help communities rehabilitate and create affordable housing stock. However, HUD is not the only agency that subsidizes housing; **Table 6.10** contains lists the more common programs used to create and maintain affordable housing from different government agencies.

Table 6.11 contains a list of existing housing in Mount Vernon that is subsidized through some of the programs listed in **Table 6.10.**

TABLE 6.9: SELECTED FEDERAL PROGRAMS THAT SUBSIDIZE HOUSING IN THE U.S.

HUD:		
• Community Development Block Grants	• Assisted-Living Conversion Program	• Housing Trust Fund
• Continuum of Care Program	• Section 8 Rental Assistance	• Self-Help Homeownership Opportunity Program (SHOP)
• Ginnie Mae I and II, Mortgage-Backed Securities	• Section 8 Moderate Rehabilitation Program	• Energy Efficient Mortgage Program
• Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) Program (previously authorized under the McKinney-Vento Homeless Assistance Act)	• Section 202 – Supportive Housing for the Elderly	• Home Affordable Modification Program
• HOME Investment Partnerships	• Section 811 – Supportive Housing for Persons with Disabilities	• Project-Based Voucher Program
• Choice Neighborhoods	• HOPE VI: Revitalization of Severely Distressed Public Housing	• Housing Choice Voucher Program
• Homeownership Voucher Program		
U.S.D.A.		
• Community Facilities Direct Loan and Grant Program	• Housing Preservation Grants	• Farm Labor Housing Direct Loans and Grants
• Multi-Family Housing Rental Assistance		
WA State Housing Finance Commission (from U.S. Dept. of Treasury)		
• Low Income Housing Tax Credits		

TABLE 6.10: SUBSIDIZED/LOWER-INCOME HOUSING IN MOUNT VERNON

PROJECT	CURRENT OWNER	ADDRESS	UNITS
	RENTED HOUSING		
Alpine Ridge	Campbell-Hogue & Associates	401 N. 17th Street	60
La Casa De San Jose	Catholic Housing Services of Western Washington	2419 Continental Place	50
La Casa del Padre Miguel	Catholic Housing Services of Western Washington	418 N. LaVenture Road	10
Villa Santa Maria	Catholic Housing Services of Western Washington	3700 E College Way	30
San Isidro/LaVenture Workforce Housing	Catholic Housing Services of Western Washington	1917 N LaVenture Road	42
Milwaukee Park Apartments	Compass Health	209 Milwaukee Street	15
Arbor Park Apartment Homes	Hearthstone Housing Foundation	200 S LaVenture Road	184
Vintage at Mount Vernon	Hearthstone Housing Foundation	2109 Urban Ave	155
La Paloma Apartments	Housing Authority of Skagit	2400 Kulshan Ave	40
Mount Baker Meadows	Housing Authority of Skagit	1700 N 40th Place	20
President Apartments	Housing Authority of Skagit	310 Myrtle Street	35
LaVenture Village Apartments	Island Skagit Partners	422 N LaVenture	30
Fircrest Apts.	Mercy Housing	1826 E Belair Drive	36
Olympic Apartments	Mercy Housing	1315 N 18th Street	32
Skagit Village Apartments	Mercy Housing	2107 N LaVenture Road	46
Salem Village	Salem Village Ltd. Partnership	2619 N LaVenture Road	36
Summerglenn Apartments	Preferred Capital Management Inc.	1630 N 26th Street	153
Highland Greens Senior Apartments & Townhomes	Salem Village Ltd. Partnership	3100 N 30th Street	78
Kulshan Residences	Shelter America Group	2315 Kulshan View Drive	38
Ridgeview Terrace Apartments	Shelter Resources	1500 William Way	80
Mount Vernon Manor I, II & III	Skagit Council Housing	2405 Austin Lane	101
SUB-TOTAL:			1,271
	OWNED HOUSING		
Habitat for Humanity	Varies – Home Ownership Program	North 29th and Habitat Place, Cleveland Ave	9
Self-Home Housing	Varies – Home Ownership Porgram	Cedar Court, Paul Place David Place, Roosewood	75
Summerlynd	Home Trust of Skagit is underlying land owner	Summerlynd Lane	11
SUB-TOTAL:			95
	HOUSING FOR SPECIAL POPULATIONS BY BED COUNTS		
11 Facilities City-Wide	Vary	Vary	147
TOTAL ALL CATEGORIES:			**1,513**

The subsidized rental housing listed in **Table 6.10** is provided, for the most part, to those earning 50 percent or less of the area median income. To be placed in subsidized housing an individual or family generally applies to be put on a waiting list with either Skagit County Housing Authority or Skagit County Community Action. **Table 6.11** provides insight into the number of people on these lists historically and now.

Although the overall number of individuals on this list is very concerning, as a percentage of Mount Vernon's and Skagit County's populations, the number of people on this list since 1992 is less than one-half of one-percent different. The percentage of those on the wait list to Mount Vernon's and Skagit County's populations is provided only as a benchmark to measure change over time. The Skagit County Housing Authority provides housing to many areas of Skagit County, not just the City of Mount Vernon.

TABLE 6.11: SKAGIT COUNTY HOUSING AUTHORITY SUBSIDIZED HOUSING WAIT LIST

	1992	2005	2015
Housing Authority Wait List for Subsidized Housing[1]	991 71.0% families 21.0% disabled 8.0% elderly	1554 79.0% families	2000
% of Mount Vernon Population[2]	5.6%	5.5%	5.9%
% of Skagit County Population[2]	1.2%	1.4%	1.7%

[1] Skagit County Housing Authority. Housing Wait List. Data supplied to the City by the Skagit County Housing Authority.

[2] City and County Population used as the denominator to calculate the percentages provided within this table were taken for 1992, 2005, and 2015 from:

- WA State Department of Financial Management. (1990 - 2000). *Intercensal Estimates of April 1 Population and Housing, 1990 – 2000.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/hseries/default.asp.
- WA State Department of Financial Management. (2016, June 23). *Intercensal Estimates of April 1 Population and Housing, 2000 – 2010.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/hseries/default.asp.
- WA State Department of Financial Management. (n.d.). *April 1, 2015 Population of Cities, Towns and Counties.* Retrieved April 14, 2016, from http://www.ofm.wa.gov/pop/april1/default.asp.

7.0

CONCLUSIONS & RECOMMENDATIONS

The conclusions that follow are provided to assist in understanding the data presented in Sections 2.0 to 6.0. They are not intended to summarize all of the data in this Element; but rather to highlight more significant changes through time that have been observed.

The conclusions are organized into the following topics and are followed by specific recommendations related to the conclusions:

7.1: HOUSING

7.2: INCOME, POVERTY AND HOUSING VALUES/COSTS

7.3 POPULATION

7.4: RACE, ETHNICITY, LANGUAGES, & ETHNIC DISPARITIES

7.5 RECOMMENDATIONS

7.1 HOUSING

+ Mount Vernon's percentage of single-family homes have increased from 58% in 1990 to 66% in 2014 and its multi-family homes have decreased during this same time frame from 33% to 28%. However, a historical look before 1990 shows that Mount Vernon's single-family homes have decreased from 90% in 1960 and its multi-family homes have increased from 10% also in 1960.

+ Compared to Skagit County and an average of the incorporated Skagit County cities Mount Vernon has fewer single-family units and more multi-family units. Comparisons of Mount Vernon's unit composition to other cities within the State of Washington with approximately 2.5 times more and less the number of homes found in Mount Vernon (i.e. Mount Vernon's existing number of homes was divided and multiplied by 2.5 to arrive at the range selected) shows that Mount Vernon's composition of these units is within 1% for single-family units and within 2% for multi-family units – making Mount Vernon's composition strikingly similar to these other cities of similar size.

+ The increase in single-family dwelling units from 2000 to 2010 is very likely due to the high-risk mortgages that became available from lenders in the early and mid-2000s. These high-risk mortgages enabled more first-time homebuyers to obtain mortgages that otherwise, historically, could not have. As a result homeownership rates rose along with the demand for these homes[1]. As demand increased so did home prices which in turn stimulated developers and builders to produce record numbers of new homes. In 2008 Mount Vernon set an all-time City record with the construction and final occupancy of 341 single-family homes that year. 341 single-family homes being built in a single-year may not seem like a lot to some jurisdictions; however, over the last 35 years – on average – the City has 208 single-family homes per year being built.

[1] Duca, J.V. (2013, November 22). Subprime Mortgage Crisis. Federal Reserve History. Retrieved June 23, 2016, from http://www.federalreservehistory.org

+ Mount Vernon's average household size has increased through time from 2.30 in 1970 to 2.80 in 2014. Mount Vernon has a higher household size than unincorporated Skagit County, its incorporated cities, the State of Washington and the United States.

+ Mount Vernon's home ownership rate has dropped slightly from 1990; from 57% to 55% in 2014. This trend is more dramatic the further back in time this statistic is traced. For example, in 1960 68% of Mount Vernon residents owned their homes – a 13% drop.

+ Mount Vernon's occupants per room (all rooms within a home; not just bedrooms), a measure indicating likely overcrowding within housing units, has increased from 1990 to 2014. Mount Vernon has a higher occupant per room count than Skagit County, its incorporated cities, the State of Washington, and the United States.

TABLE 7.0: MOUNT VERNON SUMMARY DATA - HOUSING

	2014	2010	2000	1990
Total Housing Units[1]	12,382	12,058	9,723	7,167
Total Households[2]	11,308	11,386	9,276	6,885
Average Household Size[3]	2.80	2.76	2.74	2.50
Housing Types[4]				
• Single-Family	66%	64%	56%	58%
• Multi-Family	28%	29%	36%	33%
• Other	7%	7%	8%	9%
Percent Owned & Rented[5]	55% & 45%	58% & 42%	57% & 43%	57% & 43%
Overall Vacancy Rates[6]				
• Owned	4.9%	2.5%	2.1%	.87%
• Rented	5.9%	5.9%	4.3%	4.6%
Housing[7]:				
• Without complete Plumbing	1.2%	.7%	.8%	.8
• Without complete Kitchen Facilities	.8%	.7%	1.2%	1.1%
• Without Telephone	2.1%	4.2%	1.5%	1.3%
• Without Fuel	.5%	.3%	.8%	.7%
Occupants per Room[8]:				
• ≥ 1	91.3%	92.9%	89.2%	95.2%
• 1.01 to 1.5	5.7%	5.3%	4.6%	2.7%
• 1.51 +	3.1%	1.8%	6.3%	2.2%

[1] See Table 2.0 for reference information
[2] See Table 3.4 for reference information
[3] See Table 2.2 for reference information
[4] See Table 2.6 for reference information
[5] See Table 2.11 for reference information
[6] See Table 2.15 for reference information
[7] See Table 2.19 for reference information
[8] See Table 2.21 for reference information

7.2 INCOME, POVERTY, HOUSING VALUES/COSTS

+ Mount Vernon has a lower per capita income than Skagit County and all of its incorporated cities. Amongst these jurisdictions Mount Vernon's median household and family income also ranks among the lowest.

+ Individuals below poverty level increased significantly from 13.2% in 1990 to 21.7% in 2014; and the number of households using food stamps (SNAP) sharply increased from 15.1% in 2010 to 23.6% in 2014.

+ The median mortgage cost for an owner occupied home increased by 143% from 1990 to 2014 (from $641.00 to $1,557.00). During this same timeframe median gross rent increased 113% from $426.00 in 1990 to $906.00 in 2014.

+ Comparing income and housing costs over time we see that household, per capita, and family incomes have increased at dramatically lower rates than mortgage and rent costs have. For example, median family income has risen 52% compared to the 143% increase in median owner occupied home mortgage costs between 1990 and 2014.

+ Mount Vernon does not have enough housing that is affordable to over half of its residents - affordability being defined as those paying 30% of less of their income on housing. Using this definition in Mount Vernon nearly 40% of homeowners with a mortgage are paying more than 30% of their income on housing; and 65% of renters are paying more than 30% of their income on housing.

TABLE 7.1: MOUNT VERNON SUMMARY DATA – INCOME, POVERTY, HOUSING VALUE AND COSTS

	2014	2010	2000	1990
Median Household Income[1]	$44,404.00	$45,986.00	$37,999.00	$27,022.00
Median Family Income[1]	$50,909.00	$54,587.00	$44,772.00	$33,593.00
Per capita income[1]	$21,623.00	$21,791.00	$17,041.00	$13,486.00
Households Using Food Stamps (SNAP)[2]	23.6%	15.1%	NA	NA
Individuals Below Poverty Level[2]	21.7%	15.5%	15.9%	13.2%
Median Mortgage Owner-Occupied Housing Units[3]	$1,557.00	$1,627.00	$1,156.00	$641.00
Median Gross Rent[3]	$906.00	$837.00	$655.00	$426.00
Median Housing Value (owner-occupied units)[3]	$213,000.00	$233,900.00	$136,100.00	$78,500.00

[1] See Table 4.0 for reference information
[2] See Table 4.8 for reference information
[3] See Table 6.8 for reference information

7.3 POPULATION DEMOGRAPHICS

+ Mount Vernon's married couple households have decreased from 50% in 1990 to 47% in 2014. During the same timeframe the percentage of female householders (with no husband present) has increased significantly from 11% in 1990 to 16% in 2014.

TABLE 7.2: MOUNT VERNON SUMMARY DATA – POPULATION DEMOGRAPHICS

	2014	2010	2000	1990
Total Population[1]	32,356	31,743	26,297	17,647
Percent Male to Female[2]	49% to 51%	49% to 51%	49% to 51%	48% to 52%
Median Age[2]	32.4	32.3	31.1	31.6
Age: Under 18[2]	28.2%	28.2%	29%	27.6%
Age: 65 and Older[2]	13.7%	12.7%	12.5%	13.9%
Married-Couple Households[3]	47.4	47.6%	51.3%	50.4%
Female householder[4] (of total households)[3]	16%	12.2%	11.4%	11.3%

[1] See Table 2.0 for reference information
[2] See Table 3.0 for reference information
[3] See Table 3.4 for reference information
[4] Per the U.S. Census these are female householders with no husband present

7.4 RACE, ETHNICITY, LANGUAGE & ETHNIC DISPARITIES

+ The percentage of Mount Vernon residents that identify themselves as "white alone" for the U.S. Census has decreased from 89.8% in 1990 to 80% in 2014. Over this same timeframe the percent of Mount Vernon residents that identify themselves as "Hispanic or Latino" on the U.S. Census has increased from 10.9% in 1990 to 34.2% in 2014.

  Compared to nearby jurisdictions Mount Vernon has a much higher percentage of residents that identify themselves as "Hispanic or Latino" – Burlington has the closest overall percentage to Mount Vernon at 25%. Correlated to this is a significant increase in City residents (over the age of 5) identifying that the language they speak at home is Spanish - from 7.8% in 1990 to 26.5% in 2014.

+ Mount Vernon's percentage of foreign born residents has increased dramatically from 6.9% in 1990 to 17.5% in 2014 and is much higher over this timeframe than Skagit County and its incorporated cities.

TABLE 7.3: MOUNT VERNON SUMMARY DATA – RACE, ETHNICITY AND LANGUAGE

	2014	2010	2000	1990
Race[1]				
• White	80%	73%	76%	89.8%
• Black/African American	1%	1%	.4%	.4%
• American Indian, Alaska Native	1%	2%	1.5%	1%
• Some Other Race	15%	20%	19.5%	8.8%
• Two or More Races (percentages rounded to 100%)	3%	4%	2.6%	NA
Hispanic or Latino Origin (of any race)[2]	34.2%	33.7%	25.1%	10.9%
Foreign born	17.5%[3]	20%[4]	19.5%[4]	6.9%[4]
Language Spoken at Home (population 5 years and over): Spanish	26.5%[5]	26.4%[6]	20.2%[6]	7.8%[6]

[1] See Table 3.5 for reference information
[2] See Table 3.7 for reference information
[3] U.S. Census Bureau. 2014 American Community Survey. *Selected Social Characteristics.* Retrieved April 18, 2016, from http://factfinder.census.gov
[4] U.S. Census Bureau. Census 1990, 2000, and 2010. *Selected Social Characteristics.*
[5] U.S. Census Bureau. American Community Survey for 2014. *Language Spoken at Home.* Retrieved April 18, 2016, from http://factfinder.census.gov
[6] U.S. Census Bureau. Census 1990, 2000, and 2010. *Language Spoken at Home.*

+ Farmworkers in Skagit County predominately identify themselves as Hispanic or Latino; and they represent a special housing needs group. Farm labor continues to be an important component of the local and regional economy. However, farmworkers continue to have a difficult time obtaining safe, decent and affordable housing due to low-income levels, language barriers, seasonal nature of their work and larger family size. According to the 2014 Census, 5.6 percent of Mount Vernon's employed population that is 16 or older was employed in the agriculture, forestry, and fishing occupations (747 persons). However, the census data is likely to underestimate the true number of farm workers in Mount Vernon due to the Census being conducted in the winter months, therefore not accounting for the seasonality of the labor force, resulting in undercounting of migrant laborers.

+ Ethnic based disparities for a disproportionally high percentage of the City's Hispanic and Latino population are observed across many key indicators in Mount Vernon including: income, poverty, education and housing – elaborated on below.

  Examination and tracking of these indicators is of the upmost importance to ensure that the City's planning efforts are inclusive and based on a complete understanding of the opportunities and challenges a significant percentage of the city's population is facing.

  Additionally, tracking these neighborhoods is imperative because statistically HUD R/ECAP data shows that neighborhoods with concentrated poverty, especially those primarily comprised of non-white residents, tend to have high crime rates, health disparities relating to close proximity to environmental hazards, stress, inadequate health care facilities, and poor quality food.

+ **Income and poverty:** those identifying themselves as Hispanic or Latino comprise 34 percent of the City's population, yet they account for a disproportionate number of those living in poverty at a magnitude of over three times the rate of 90 percent of residents that are not Hispanic or Latino.

Hispanic or Latino residents have significantly lower median household and family incomes and their per capita income is far below that of residents that are 'white alone'. Hispanic or Latino households that received food stamps in the 12 months prior to the Census survey are more than double the 'white alone' households.

+ **Education**: Hispanic or Latino residents have significantly higher rates of those with less than a high school education and vastly fewer that have earned a Bachelor's degree or higher.

+ **Housing**: Hispanic or Latino residents have much lower rates of home ownership; and their homes have more occupants per room than others within the City.

Table 7.4 includes data from the U.S. Census used for the race-based disparity conclusions listed above. The 'White Alone (not Hispanic or Latino Population)' and 'Hispanic or Latino Population' comparison was chosen because in Mount Vernon of the 66 percent of the population that is not Hispanic or Latino is 90 percent 'white alone' and 'not Hispanic or Latino'.

TABLE 7.4: ETHNIC BASED DISPARITIES (2013/2014)

	WHITE ALONE (NOT HISPANIC OR LATINO) POPULATION	HISPANIC OR LATINO POPULATION
Household Poverty[1]	12%	39%
Median Household Income[2]	$50,829.00	$34,654.00
Median Family Income[3]	$60,733.00	$32,928.00
Per Capita Income[4]	$28,321.00	$11,119.00
Households that Received Food Stamps in the past 12 months[5]	18%	40%
Housing that is Owned vs. Rented (Tenure)[6]	62% owned 38% rented	34% owned 66% rented
Percentage of occupied housing that has 1.01 occupants per Room (or more)[6]	1.5%	33%
Education [7, 8]:		
Less than High School Diploma	9%	52%
Bachelor's Degree or Higher	25%	4%

[1] U.S. Census Bureau. 2014 American Community Survey. *Poverty Status in the Past 12 Months.* Retrieved April 21, 2016, from http://factfinder.census.gov
[2] U.S. Census Bureau. 2014 American Community Survey. *Median Household Income in the Past 12 Months.* Retrieved April 21, 2016, from http://factfinder.census.gov
[3] U.S. Census Bureau. 2014 American Community Survey. *Median Family Income in the Past 12 Months.* Retrieved April 21, 2016, from http://factfinder.census.gov
[4] U.S. Census Bureau. 2014 American Community Survey. *Per Capita Income in the Past 12 Months.* Retrieved April 21, 2016, from http://factfinder.census.gov
[5] U.S. Census Bureau. 2014 American Community Survey. *Food Stamps/SNAP.* Retrieved April 21, 2016, from http://factfinder.census.gov
[6] U.S. Census Bureau. 2014 American Community Survey. *Selected Housing Characteristics.* Retrieved April 21, 2016, from http://factfinder.census.gov
[7] U.S. Census Bureau. 2014 American Community Survey. *Educational Attainment.* Retrieved April 21, 2016, from http://factfinder.census.gov
[8] Population 25 years and over, 2013 data

7.5 RECOMMENDATIONS

Since 1990 Mount Vernon has put in place policies to encourage the creation of housing for those earning less than 80% of the Area Median Income (AMI). As well intentioned as these policies have been they have not resulted in the creation of more, per capita, housing for these low income households.

This tells us that the existing approach of encouraging affordable housing needs to be reevaluated if the City wishes to increase its housing stock available to low income households. Jurisdictions that have had some success in increasing the amount of housing available to low income households have employed multi-dimensional policies and programs aimed at many of the different variables that contribute to affordable housing. Intuitively this should make sense – affordable housing is defined as the relationship of the amount of income spent on housing, so why would the City only focus on the housing part of this relationship? The other part of this equation is household income, which should be equally as important.

Following are several areas that the City should consider investing time and resources to be more successful in creating and maintaining affordable housing for low-income households. The following policy recommendations are the basis upon which some of the Goals, Objectives and Policies of this element were developed.

A. INCOME & JOB CREATION

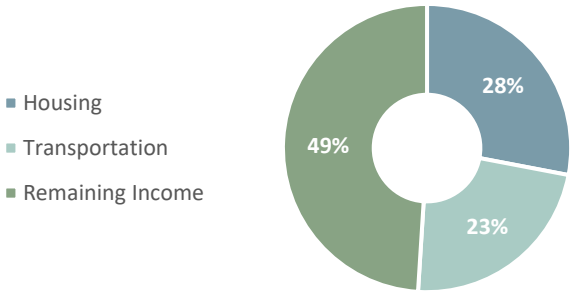
1. **Promote Higher Paying Jobs:** Housing costs are only one part of the affordable housing equation. The second, equally as important part of this equation is household income. As household incomes rise so does the amount of income left, after paying for housing, to pay for other basic needs.

   The City can play a part in increasing household income by promoting the creation of new, higher paying jobs in the City and supporting programs for employees to obtain education or training to move into higher paying jobs. The creation of more jobs paying higher wages will reduce the demand for lower cost housing and will provide extra income for other basic necessities.

2. **Decrease Transportation Expenses:** Household income available for necessities can also be increased by decreasing the amount of money households need to spend on transportation expenses. This is important because after the cost of housing, the largest expense for most households is transportation. The further away residents need to drive to their job the higher their transportation costs are.

   The Center for Neighborhood Technology has created a Housing and Transportation Affordability Index that provides data on transportation related costs that households have. This data shows that, on average, households in Mount Vernon spend 23 percent of their income on transportation costs with 28 percent spent on housing. This illustrates that housing costs, on average, are only five percent more than transportation costs. This underscores the importance of creating jobs within the City to reduce household transportation costs.

GRAPH 7.5: MOUNT VERNON'S TRANSPORTATION COSTS[1]



[1] Center for Neighborhood Technology (CNT). *The Housing and Transportation Affordability Index.* Retrieved April 23, 2016, from http://www.cnt.org

3. **Promote Mixed Use Neighborhoods:** Encouraging the creation of mixed-use areas characterized by living wage jobs, mixed income housing, and amenities such as parks, grocery stores and schools all within a walkable urban context should be a priority. Properly located mixed-use areas have well-designed streets that welcome pedestrian activity, they have community focal points and meeting places like parks and trails, and the non-residential uses are compatible with homes that will be in close proximity.

B. PRESERVATION & INFILL

4. **Keeping Existing Subsidized Housing Affordable**: Table 6.10 documents the 1,300+ subsidized housing units that the City currently has. The subsidizes keeping these units affordable expire at different times. If the underlying property owner is not able, or chooses not to renew their subsidies the households living in these units are put in jeopardy. Focusing on keeping these existing units affordable is just as important as the creation of new affordable units.

5. **Keeping Existing More Affordable Housing Stock Safe and Healthy:** Aside from the subsidized housing units discussed in the paragraph above, the City has housing stock, that due to its age and condition, ends up being less expensive, and thus more affordable than newer homes are. Preserving this housing stock provides an inventory of more affordable housing in the City.

   More common preservation efforts the City could consider include programs that give zero percent loans to low income households for the purpose of completing work on a home; such as: replacing a roof or windows, electrical work, sewer repairs or installation, or foundation or structural repairs. Programs like this could assist a portion of the estimated 570 existing Mount Vernon homes that lack complete plumbing or kitchen facilities or are without a fuel source for heating.

6. **Promoting Infill Housing:** Infill housing that is distributed throughout the City, versus concentrated in larger apartment complexes, should receive just as much attention as new larger scale multi-family housing does.

Infill housing, along with what is termed the 'missing middle housing', can collectively provide less expensive housing aimed at lower to moderate income households because these types of units are smaller in scale than typical single-family homes making them less expensive to build. In cities like Mount Vernon that are in the process of becoming more dense this type of an approach allows these new units to be woven into, and layered within, the existing landscape with far less neighborhood impacts than multi-story apartment buildings generate.

Infill housing includes accessory dwelling units, duplexes, and even townhouse type housing constructed on vacant or underutilized property in residential zones. Daniel Parolek of Opticos Design, Inc coined the term 'the missing middle' in 2010 to describe a range of multi-unit or clustered housing types compatible in scale with detached single-family homes. The missing middle homes are characterized by being located in a walkable context, these homes have small-to medium-sized footprints and are specifically designed to blend into existing single-family neighborhoods. Below is an illustration from Opticos Design illustrating what 'the missing middle' could look like.

C. TARGET HOME TYPES

7. **Specify the type of affordable housing needed:** Sections 2.0 to 6.0 of this document identifies how Mount Vernon's demographics are different from other jurisdictions, which means that the City's housing needs are also different. Targeting the specific type and size of housing most needed in the City will provide the maximum benefits to different types of households.

   For example, the City's households have significantly more occupants per room than Skagit County, all of its incorporated cities, the State of Washington and the United States. Nearly 30 percent of the City's households consist of four-plus people; and in 2014 the City had an estimated 749 households with 6 or more people living together. These metrics indicate a problem with overcrowding. To mitigate this the City needs to encourage the creation of new homes with more bedrooms versus studio or one-bedroom units.

   Table 7.6 provides details on different lifestyle housing needs that exist in Mount Vernon. This table also shows the number of the different types of housing that would need to be constructed if the City's existing lifestyle housing trends remain unchanged. This data is helpful because it provides insight into the type of housing units that need to be produced to match the City's demographics. **Table 7.6** indicates that if the City's existing demographics are similar over the next 20 years that nearly 65 percent of all new housing units would need to consist of *at least* two bedroom units. Additionally, 20 percent of future homes would need to be targeted for one and two bedroom units that are possibly located in age restricted buildings or neighborhoods as they would be for those 65 and older. The last demographic category to be considered is the 15 percent of those under 65 that are living alone; targeting one bedroom units or studios to this category of household should fit their lifecycle.

TABLE 7.6: EXAMPLE LIFECYCLE HOUSING NEEDS

LIFECYCLE TYPE[1]:	LIFESTYLE HOUSING NEEDS[2]	EXISTING NO.	EXISTING %	2036 PROJECTION[3]	YEARLY # UNITS PER PROJECTION
Husband & Wife w/ kids under 18	Family sized units with two or more bedrooms. Access to services, schools, parks and employment.	2,537	22.4%	1,106	55
Husband & Wife w/o kids under 18, under age 64	One or two bedroom units. Access to transit, amenities, services, jobs.	1,865	16.5%	748	37
Family Household w/o kids under 18, w/ other related individuals	Larger units, multiple bedrooms. Access to employment, transit, services, and amenities.	774	6.8%	308	15
Non-Family Households Living with Others	Larger units, multiple bedrooms. Access to employment, transit, services, and amenities	900	8%	362	18
Single Parents	Two plus bedroom units. Access to transit, amenities, services, jobs.	1,268	11.2%	508	25
Husband & Wife 65 and older	One or two bedroom units. Access to transit, amenities, services, jobs. Possibly age restricted buildings with variable levels of health care and other supportive services.	999	8.8%	399	19
Those 65 and Older Living Alone	One bedroom units or Studios. Possibly age restricted buildings with variable levels of health care and other supportive services.	1,370	12.1%	548	27
Those 65 and Under Living Alone	One bedroom units or Studios. Access to transit, amenities, services, jobs.	1,670	14.8%	671	33

[1] U.S. Census Bureau. 2014 American Community Survey. *Profile of General Population and Housing Characteristics.* Retrieved April 21, 2016, from http://factfinder.census.gov

[2] Desired housing characteristics from the Puget Sound Regional Council, Housing Element Guide, July 2014

[3] Estimates from 2014 Census cited under footnote #1, multiplied by 4,537 new homes expected over the planning horizon

8. **Create a Fair Share Allocation Method for Subsidized Housing**: Skagit County does not currently have a method for calculating the number housing units for households in the low-to-middle income brackets that should be planned County-wide and within each jurisdiction. However, the Skagit Council of Governments will be working collaboratively with the cities and towns to create such a method to both quantify and allocate these needed units in 2016/2017.

Even though this work has yet to be completed, the City can still make projections, like the ones provided in **Table 7.7**, to estimate the number of income restricted units needed and their desired characteristics. **Table 7.7** takes existing conditions information and projects it into the future assuming the City's housing needs will mirror approximately what currently exists. This table highlights how difficult it will be for the City to encourage housing for low income households in the future due to the sheer magnitude of units that would be needed, especially for households with incomes that are 50 percent or less of the average household income (for 50 percent or less AMI households 87± housing units per year for the next 20 years would be needed).

TABLE 7.7: EXAMPLE PROJECTED HOUSING NEEDS

	EXISTING NUMBER	EXISTING PERCENTAGE	PROJECTED 2036[2]	PER YEAR OVER 20-YEAR PLANNING HORIZON
HOUSING TENURE[1]:				
Owned	6,810	55.0%	2,495	124
Rented	5,571	45.0%	2,041	102
HOUSING CHARACTERISTICS[1]:				
Single-Family Detached	7,089	58.0%	2,631	131
2-4 Units Attached[3]	992	16.0%	725	36
5+ Units	3,101	25.0%	1,134	56
HOUSEHOLDS PAYING 30% OR MORE OF THEIR INCOME ON HOUSING WITHIN THE FOLLOWING INCOME CATEGORIES[4]:				
Households Extremely Low Income (0% to 35% AMI)	2,195	19.2%	871	43
Households Very Low Income (36% to 50% AMI)	2,245	19.6%	889	44
Households Low Income (51% to 80%)	1,790	15.6%	707	35
Households Moderate Income (81% to 100%)	335	2.9%	131	6
HOUSEHOLDS PAYING LESS THAN 30% OF THEIR INCOME ON HOUSING[5]:				
Any Income Category	4,855	42.7%	1,937	96

[1] Existing housing characteristics based on 2014 Census figures with an overall number of housing units of 12,382.
[2] 2036 estimates based on 4,537 new homes being constructed in Mount Vernon over the planning horizon
[3] A policy choice of moving the existing 8% of the City with mobile homes to the 2-4 unit attached was made with this line item
[4] Estimates from HUD's CHAS data base from 2008-2012 using 11,450 households
[5] Remaining households from HUD's CHAS data base, 2008-2012

9. **Streamline the Siting of Housing for the Homeless and Special Needs Populations**: New ways to simplify the creation of housing for the homeless and special needs populations within the City are needed. Special needs populations include those that are homeless, elderly, severely mentally ill, addicted to drugs or alcohol, victims of domestic violence among others. This population has very different needs than other households do; and as such, housing for this population needs to be evaluated and permitted differently.

   With regard to those that are homeless, it may seem that placing them in shelters is the least expensive and most ideal solution. However, research shows that an approach that prioritizes finding permanent supportive housing for the homeless, versus providing shelters, is much more cost-effective and successful over the long term. This is primarily due to the following: 1) the enormous cost of hospitalization and medical treatment that is exasperated when homeless, 2) that many homeless end up in prisons and jails which is very pricy; and 3) that emergency shelters are also expensive to both build and operate.

   Permanent supportive housing refers to permanent housing that is coupled with supportive services such as: case management, integrated health care, mental health care, alcohol and substance abuse services. Three specific case studies regarding the cost savings in providing this type of housing to the homeless are summarized below to illustrate the point that new ways, other than providing homeless shelters, should be embraced by the City.

   + The City of Los Angeles conducted 'The Homeless Cost Study' that profiled four homeless individuals that were placed in supportive housing. The cost of providing public services to these four individuals while they were homeless for the two years prior to being placed in supported housing was $187,288.00. The cost of providing supported housing was found to be $20,000.00 less per person during two subsequent years they spent in stable, permanent housing.

   + In Seattle the '1811 Eastlake' program that provides a Housing First type of residence (a type, or model of, permanent supportive housing) for those with severe alcohol, medical, and mental health conditions found that their program cost $2,449.00 less per person, per month than what would otherwise be spent housing these homeless in conventional city shelters.

   + In Portland, ME a cost study of rural homelessness found that there was a 57 percent reduction in the cost of mental health services over a six-month period when the homeless were provided permanent supportive housing. The study attributes this cost savings to a 79 percent drop in the cost of psychiatric hospitalization of this population.

8.0

GOALS, OBJECTIVES & POLICIES

The City has created Goals, Objectives & Policies specific to the Housing Element. These Goals, Objectives & Policies guide the City's decision making process related to housing issues and are organized into broad categories including:

- Housing Availability
- Enhance Existing Neighborhoods
- Jobs to Housing Balance & Mixed Use Development
- Affordable and Subsidized Housing
- Housing for Vulnerable Populations

HOUSING AVAILABILITY

HOUSING GOAL 1: ENHANCE MOUNT VERNON'S CULTURAL AND ECONOMIC VITALITY BY ENCOURAGING THE DEVELOPMENT OF HOUSING SOLUTIONS OF ALL TYPES THAT PROVIDE FOR VARIED DENSITIES, SIZES, COSTS AND LOCATIONS THAT ARE SAFE, DECENT, ACCESSIBLE, ATTRACTIVE, APPEALING AND AFFORDABLE TO A DIVERSITY OF AGES, INCOMES, AND CULTURAL BACKGROUNDS.

OBJECTIVE 1.1: In City plans and zoning regulations, accommodate a variety of housing types that are attractive and compatible in design, and available to all economic segments of the community.

Policy 1.1.1: The Comprehensive Plan shall provide housing capacity for all market segments to meet the growth targets identified for the City of Mount Vernon in the Skagit County Population and Employment Allocation adopted by County-Wide Planning Policies.

Policy 1.1.2: In recognition of community needs, the City shall maintain a variety of future land use classifications and implement zoning to accommodate a range of housing types with varying densities and sizes.

Policy 1.1.3: Continue the use of opportunities and incentives through the Planned Unit Development (PUD) process for a variety of housing types and site planning techniques that can achieve the maximum housing potential of the site while being designed in consideration of surrounding properties and the natural environment.

Policy 1.1.4: Continue to promote plans and policies that encourage in-fill residential projects in close proximity to neighborhood centers, shopping and retail facilities, parks, transit routes and other service uses.

Policy 1.1.5: Continue to promote plans and regulations that allow incentives such as bonus densities and flexible design standards that support and promote the construction of new innovative or affordable housing styles, compatible with the planned uses of surrounding sites. Ground related housing types such as cottages, townhouses, zero lot line developments and other types are examples of housing choices that promote individuality and ownership opportunities. Consider adopting new development regulations that would offer new ways to encourage these types of housing choices.

Policy 1.1.6: Continue to implement zoning requirements for manufactured homes on single family lots and ensure they provide for appropriate location and design criteria and meet state requirements.

Policy 1.1.7: Continue to promote high density development and re-development in the Central Business District (C-1 zone). Analyze ways to allow housing that steps-down, or transitions, in density immediately surrounding the Central Business District. Consider completing a sub-area plan to include areas surrounding the existing C-1 zone to evaluate whether or not this zone should be expanded to these abutting areas.

ENHANCE EXISTING NEIGHBORHOODS

HOUSING GOAL 2: PROMOTE THE PRESERVATION, MAINTENANCE AND ENHANCEMENT OF EXISTING HOUSING AND RESIDENTIAL NEIGHBORHOODS THROUGHOUT THE CITY.

OBJECTIVE 2.1: Promote infill housing that is compatible with abutting housing styles and with the character of the existing neighborhood.

Policy 2.1.1: Encourage infill housing on vacant or underutilized parcels having adequate services, and ensure that the infill development is compatible with surrounding neighborhoods.

Policy 2.1.2 : Adopt development regulations that enhance existing single family neighborhoods by requiring significant changes in density be transitioned near these existing neighborhoods. Ways to transition from higher-density to existing single-family neighborhoods include (but are not limited to) the following: reducing densities and building heights closest to existing neighborhoods; and require landscaping treatments and fencing surrounding higher density developments.

Policy 2.1.3: Consider adopting regulations such as flexible lot sizes that encourage infill development on small lots consistent with the neighborhood's character.

Policy 2.1.4: Encourage the construction of attached and detached accessory dwelling units in single-family districts subject to specific development, design and owner occupancy provisions.

OBJECTIVE 2.2 Enhance the value, character and health of the City's existing housing stock by improving and extending the life of such housing.

Policy 2.2.1: In cooperation with the County and public or private housing agencies, the City should periodically assess housing conditions to identify areas of the city needing rehabilitation and to monitor previous rehabilitation efforts, contingent upon funding availability.

Policy 2.2.2: Encourage private reinvestment in residential neighborhoods and private rehabilitation of existing housing by providing information, technical assistance, and referrals to appropriate agencies and organizations.

Policy 2.2.3: Consider additional funding to strengthen the City's existing code enforcement efforts with the goal of reducing the amount of substandard housing, renovation of homes in need of repair, and to preserve the health, safety and affordability of the City's existing housing stock.

Policy 2.2.4: In cooperation with Skagit County, the City should encourage the preservation of existing housing. Private investment should be encouraged in older residential neighborhoods, manufactured home parks, and multifamily complexes to ensure the health, safety and affordability of existing housing. Programs supporting weatherization, home repair and rehabilitation, and infrastructure maintenance should be supported.

JOBS-HOUSING BALANCE & MIXED-USE REGULATIONS

HOUSING GOAL 3: ENCOURAGE LIVING-WAGE JOB RETENTION AND CREATION IN THE CITY SO THAT RESIDENTS ARE NOT FORCED TO COMMUTE OUT OF MOUNT VERNON TO WORK.

OBJECTIVE 3.1: Promote policies to increase the ratio of living wage jobs to housing within the City.

Policy 3.1.1: Encourage the creation of mixed-use areas throughout the City characterized by living wage jobs, mixed income housing, and ample public open spaces all within a walkable urban context.

AFFORDABLE AND SUBSIDIZED HOUSING

HOUSING GOAL 4: ENCOURAGE SAFE, DECENT, ACCESSIBLE, ATTRACTIVE AND AFFORDABLE HOUSING DEVELOPMENT THAT MEETS COMMUNITY NEEDS AND IS INTEGRATED INTO, AND THROUGHOUT, THE COMMUNITY INCLUDING AREAS OF HIGHER LAND COST WHERE GREATER SUBSIDIES MAY BE NEEDED.

OBJECTIVE 4.1: Encourage the creation of ownership and rental housing that is affordable for all households within the City, with a particular emphasis on low, very-low, and extremely-low income households as defined by the U.S. Department of Housing and Urban Development (HUD).

Policy 4.1.1: Evaluate the adoption of zoning regulations targeted at otherwise market-rate developments that require *or* incentivize a minimum percentage of new dwelling units and/or lots that are created (whether multi-family or single-family) be income restricted.

Policy 4.1.2: Evaluate the adoption of zoning regulations that would allow multi-family residential developments that are income-restricted to those at or below 60 percent of the area median income for at least fifty years to be located in zoning districts other than multi-family residential.

Policy 4.1.3: Evaluate the adoption of zoning regulations that provide bonuses in density for developments that create income restricted units aimed at those earning less than 80% of the area median income (AMI) with greater bonuses provided to housing reserved for those earning 60% of the AMI and below.

Policy 4.1.4: Encourage affordable housing to be dispersed throughout the City, within each Census tract, rather than overly concentrated in a few locations.

Policy 4.1.5: Where affordable housing is proposed together with market rate housing, affordable housing units should be comparable in design, integrated into the whole development, and should match the tenure of the whole development.

Policy 4.1.6: Maintain and explore enhancing regulatory incentives to encourage the production and preservation of affordable ownership and rental housing such as through density bonuses, impact fee reductions, permit fast-tracking, or other methods.

Policy 4.1.7: Ensure during development review processes that all affordable housing created in the city with public funds or by regulatory incentives remains affordable for the longest possible term; at a minimum 50 years.

Policy 4.1.8: Identify and catalogue real property owned by the City that is no longer required for its purposes and is suitable for the development of affordable housing for very-low to moderate income households. The inventory should be provided to the State Office of Community Development in accordance with state law.

OBJECTIVE 4.2: Prioritize the preservation of the affordability, health, safety and quality of the City's existing housing stock.

Policy 4.2.1: In conjunction with public and private housing providers, the City should identify and encourage preservation of affordable units in publicly assisted (subsidized) housing developments that are at risk of converting to market-rate housing.

Policy 4.2.2: Encourage relocation assistance and replacement housing to be developed, where feasible, to help low-income households when displacement is unavoidable.

OBJECTIVE 4.3: Work collaboratively with other jurisdictions, agencies and stakeholders to promote the preservation and creation of local and regional affordable housing strategies.

Policy 4.3.1: Be an active participant in the multi-jurisdictional affordable housing program and cooperative efforts that will be guided by the Skagit County of Governments in 2016/2017 that will identify strategies to promote an adequate and diversified supply of countywide housing for all residents.

Policy 4.3.2: Encourage, assist, and partner with organizations that can construct, manage, and provide affordable housing to those earning 80% or less of the AMI during all stages of siting and project planning and when applying for county, state and federal funding.

Policy 4.3.3: Work regionally and with other jurisdictions to jointly fund affordable housing.

Policy 4.3.4: Support state and federal funding and policies that promote affordable housing.

Policy 4.3.5: Explore with the County, other local jurisdictions, and private lending institutions the availability and enhancement of educational programs for first time homebuyers.

Policy 4.3.6: Coordinate with private lending institutions to encourage the creation and availability of financing mechanisms such as reverse mortgage programs, housing trust funds, and loan pools for local financing of affordable housing.

Policy 4.3.7: Encourage interjurisdictional cooperative efforts and public-private partnerships to advance the creation of affordable and special needs housing.

Policy 4.3.8: Continue to promote home ownership for low-Income Households earning up to 80% of the median income through support of the Home Trust of Skagit and other similar organizations that could be created in the future.

OBJECTIVE 4.4: Create an evidence based system for collecting and analyzing data and plan adaptive strategies that will assist the City in proactively encouraging the preservation and creation of affordable housing in the City.

Policy 4.4.1: Consider adopting a schedule to have the Community & Economic Development Department (CEDD) report to Council on the number of renters and owners that are paying 30% or more of their income on housing in the Mount Vernon Metropolitan Statistical Area (MSA) as reported through the Comprehensive Housing Affordability Strategy (CHAS) Data Query Tool from the U.S. Department of Housing and Urban Development (HUD). Providing an annual report should be considered the goal for such reporting; however, the timing of such a report should be following the release of previously unreported data from HUD. Should other data that complies with industry accepted methods that use sound estimating and statistical methodologies become available, in addition to the referenced HUD data, Council could consider requesting CEDD staff to report on this data as well. This report could provide Council with an opportunity to reassess and adjust policies and development regulations to meet low income housing needs.

HOUSING FOR VULNERABLE POPULATIONS

HOUSING GOAL 5: PROMOTE THE DEVELOPMENT, AND COLLABORATE WITH SERVICE PROVIDERS, TO DEVELOP A VARIETY OF HOUSING SOLUTIONS FOR THOSE WITH SPECIAL NEEDS INCLUDING, BUT NOT LIMITED TO:

- VICTIMS OF DOMESTIC VIOLENCE;
- PERSONS AFFLICTED WITH ALCOHOL/DRUG ADDICTION;
- PERSONS AFFLICTED WITH BEHAVIOR HEALTH ISSUES;
- PERSONS COMING FROM CORRECTIONS AND PSYCHIATRIC INSTITUTIONS, NURSING HOMES AND FOSTER CARE; AND,
- PERSONS THAT ARE HOMELESS.

OBJECTIVE 5.1: Work closely with appropriate agencies in the region to develop and implement policies and programs addressing special housing needs for vulnerable populations.

Policy 5.1.1: Encourage opportunities for assisted housing for people with special needs by:

a. Adopting land use policies and regulations that treat government-assisted housing and other low-income housing the same as housing of a similar size and density;
b. Permitting group living situations, including those where residents receive such supportive services as counseling, foster care or medical supervision in accordance with State and Federal Laws; and,
c. Encouraging developers and owners of assisted housing units to undertake activities to establish and maintain positive relationships with neighbors.

Policy 5.1.2: Encourage coordination among providers of social, health, counseling, and other services to families, children, and persons with special needs including seniors, persons with physical or mental disabilities, persons with terminal illness, or other special needs.

Policy 5.1.3: The City should collaborate and support social service agencies that support the development and implementation of a comprehensive approach to the prevention, transition, and stabilization of the homeless. Programs and services that decrease potential homelessness, stop recurring homelessness, and to promote long-term self-sufficiency (such as the Housing First model) should be encouraged.

Policy 5.1.4: Support the development of facilities and services for chronically homeless, homeless, and those who are at-risk of becoming homeless by:

a. Adopting land use regulations that streamline the siting of facilities such as the creation of an overlay zone, or a demonstration zoning ordinance. Consider adopting regulations within an overlay zone, demonstration zoning ordinance, or other mechanism that allows these facilities to be developed based on occupancy characteristics versus density allowed in different zoning designations.

Policy 5.1.5: Consider incentives to encourage the establishment of fully accessible housing for people with disabilities, which exceed the minimum requirements for accessible units otherwise mandated by federal and state law, including providing density bonuses for additional units that incorporate universal design or other similar design principles.

Policy 5.1.6: Ensure that facilities and services to meet the health care, treatment, social service, and transit needs of households with special needs are part of housing development plans.

Policy 5.1.7: Through the City's plans and regulations, location of housing for disabled persons and/or seniors should be promoted near or within sites where neighborhood centers, shopping centers, public transportation and/or parks or open space to facilitate their maximum participation in the community.

City of MOUNT VERNON

Appendix A

DEFINITIONS USED IN HOUSING ELEMENT

HOUSING ELEMENT DEFINITIONS

Following is a list of terms and their associated definitions used in this Element that will be helpful to understand while reading this document.

TERM	DEFINITION
AFFORDABLE HOUSING	Affordable housing is housing for which the occupant is paying no more than 30 percent of their gross income for housing costs, including utilities other than telephone, cable, internet (and the like) to qualify as affordable housing.
AREA MEDIAN INCOME (AMI)	Also known as the median family income, is an estimate of median family income for a metropolitan or non-metropolitan area. These are developed with U.S. Census data and an inflation factor based on the CBO forecast of the national CPI. HUD calculates and releases this data on a yearly basis. In Skagit County the AMI in 2015 for a family of four was $68,200.00.
FAIR HOUSING ACT	The Fair Housing Act was adopted in 1968 (and amended in 1974 and 1988) providing the HUD Secretary with fair housing enforcement and investigation responsibilities. This law that prohibits discrimination in all facets of the home buying process on the basis of race, color, national origin, religion, sex, familial status, or disability. The Fair Housing Program provides funding to public and private entities formulating or carrying out programs to prevent or eliminate discriminatory housing practices.
FAIR MARKET RENTS	FMRs are gross rent estimates that HUD calculates on a yearly basis. They include the rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. The 2016 Skagit County FMR for a three (3) bedroom unit is $1,331.00.
FAMILY	According to the U.S. Census a family consists of two or more people (one of whom is the householder) related by birth, marriage, or adoption residing in the same housing unit.
FARMWORKER(S), MIGRANT & SEASONAL	A seasonal farmworker is defined as a person who worked a total of 25 or more days (or parts of days) doing in which some work was performed in farmwork, earned at least half of their income from farmwork and was not employed in farmwork year round by the same employer during the previous 12 months (20 CFR Chapter V, Part 651, Section 651.10). A migrant farmworker is a seasonal farmworker who had to travel to do farmwork so that they were unable to return to their permanent residence on the same date (20 CFR Chapter V, Part 651, Section 651.10).
HOMELESS PERSON	A "Homeless person" means an individual living outside or in a building not meant for human habitation or which they have no legal right to occupy, in an emergency shelter, or in a temporary housing program which may include a transitional and supportive housing program if habitation time limits exist. This definition includes substance abusers, people with mental illness, and sex offenders who are homeless (RCW 43.185C.010[12]).

TERM	DEFINITION
HOUSEHOLD	According to the U.S. Census a household consists of all people who occupy a housing unit regardless of relationship. A household may consist of a person living alone or multiple unrelated individuals or families living together.
HOUSING FIRST	The National Alliance to End Homelessness describes the Housing First approach as follows: Housing First is an approach that centers on providing homeless people with housing quickly and then providing services as needed. What differentiates a Housing First approach from other strategies is that there is an immediate and primary focus on helping individuals and families quickly access and sustain permanent housing. This approach has the benefit of being consistent with what most people experiencing homelessness want and seek help to achieve. Housing First programs share critical elements: + There is a focus on helping individuals and families access and sustain rental housing *as quickly as possible and the housing is not time-limited*; + A variety of services are delivered primarily following a housing placement to promote housing stability and individual well-being; + Such services are time-limited or long-term depending upon individual need; and + Housing is not contingent on compliance with services – instead, participants must comply with a standard lease agreement and are provided with the services and supports that are necessary to help them do so successfully.
HUD – U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	The Department of Housing and Urban Development (HUD) is a U.S. government agency created in 1965 to support community development and home ownership. HUD does this by improving affordable home ownership opportunities, increasing safe and affordable rental options, reducing chronic homelessness, fighting housing discrimination by ensuring equal opportunity in the rental and purchase markets, and supporting vulnerable populations.
INCOME LEVELS: + EXTREMELY LOW + VERY LOW + LOW + MODERATE + MIDDLE	Households are defined by HUD, and other Federal/State agencies, into the following general categories based on household income. The percentages listed below can vary; however, for the most part, the income percentages below are representative. “Extremely Low Income” means households whose incomes do not exceed 30 percent of the area median income. “Very low-income” means households whose incomes are between 31 and 50 percent of the area median income. “Low income” means households whose incomes are between 51 and 80 percent of the area median income. “Moderate Income” means households whose incomes are between 81 and 95 percent of the area median income. “Middle Income” means households whose incomes are between 96 and 120 percent of the area median income.

TERM	DEFINITION
LOW INCOME HOUSING TAX CREDIT (LIHTC)	The U.S. Department of Treasury allocates Federal Tax Credits to each state based on population. In Washington State the Housing Finance Commission administers the tax credits that are awarded to housing developers (generally non-profit) in exchange for the creation of housing reserved for those with very low incomes. "The LIHTC program provides tax incentives to encourage individual and corporate investors to invest in the development, acquisition, and rehabilitation of affordable rental housing. The LIHTC is an indirect federal subsidy that finances low-income housing. This allows investors to claim tax credits on their federal income tax returns. The tax credit is calculated as a percentage of costs incurred in developing the affordable housing property, and is claimed annually over a 10-year period. Some investors may garner additional tax benefits by making LIHTC investments. The equity raised with LIHTCs can be used for newly constructed and substantially rehabilitated and affordable rental-housing properties for low-income households, and for the acquisition of such properties in acquisition/rehabilitation deals". (Community Developments Insights, Office of the Comptroller of the Currency, April 2014)
POVERTY	The Census Bureau uses income thresholds that vary by family size and composition to determine poverty rates. Poverty rates do not vary geographically (i.e. the rates are the same across the entire U.S.), but are updated for inflation. In 2015 a family of four had a poverty guideline of $24,250.00.
SUBSIDIZED HOUSING	Within the context of this Element 'Subsidized Housing' means housing that is in part or whole paid for by someone other than the housing occupant. Housing subsidizes come in a number of different forms; and many times more than one type of subsidy is used to make a project affordable. More common types of subsidies include housing vouchers (tenant or project based), they can be public housing, they can be housing that has utilized Federal tax credits.
SUPPORTED HOUSING	This program is authorized by title IV of the Stewart B. McKinney Homeless Assistance Act (the McKinney Act). The program is designed to promote the development of supportive housing and supportive services, including innovative approaches to assist homeless persons in the transition from homelessness, and to promote the provision of supportive housing to homeless persons to enable them to live as independently as possible.
VOUCHERS	Housing vouchers are used by a number of different Federal programs such as HUD and the U.S.D.A. that pays a portion of rent and utilities for those who qualify for these programs. These programs are generally for those making less than 50 percent of the AMI. Those receiving a voucher are able to choose housing within a community and use their voucher to pay for part of their housing costs – making the vouchers tenant-based assistance. More common voucher programs include Section 8, and Veterans Affairs Supportive Housing (VASH).
WORKFORCE HOUSING	Workforce housing is a term that is becoming more commonly used; however, there is not a definitive definition for it. This term is generally meant to describe a situation when low to middle class residents are not able to live in the community they work in. In the context of this element workforce housing describes those working in Mount Vernon whose income is more than 60 percent of the AMI and less than 90 percent of the AMI. Residents that work in retail sales, food service, agriculture and tourism are among those who may have difficulty finding housing that is affordable to them.

City of MOUNT VERNON

Appendix B

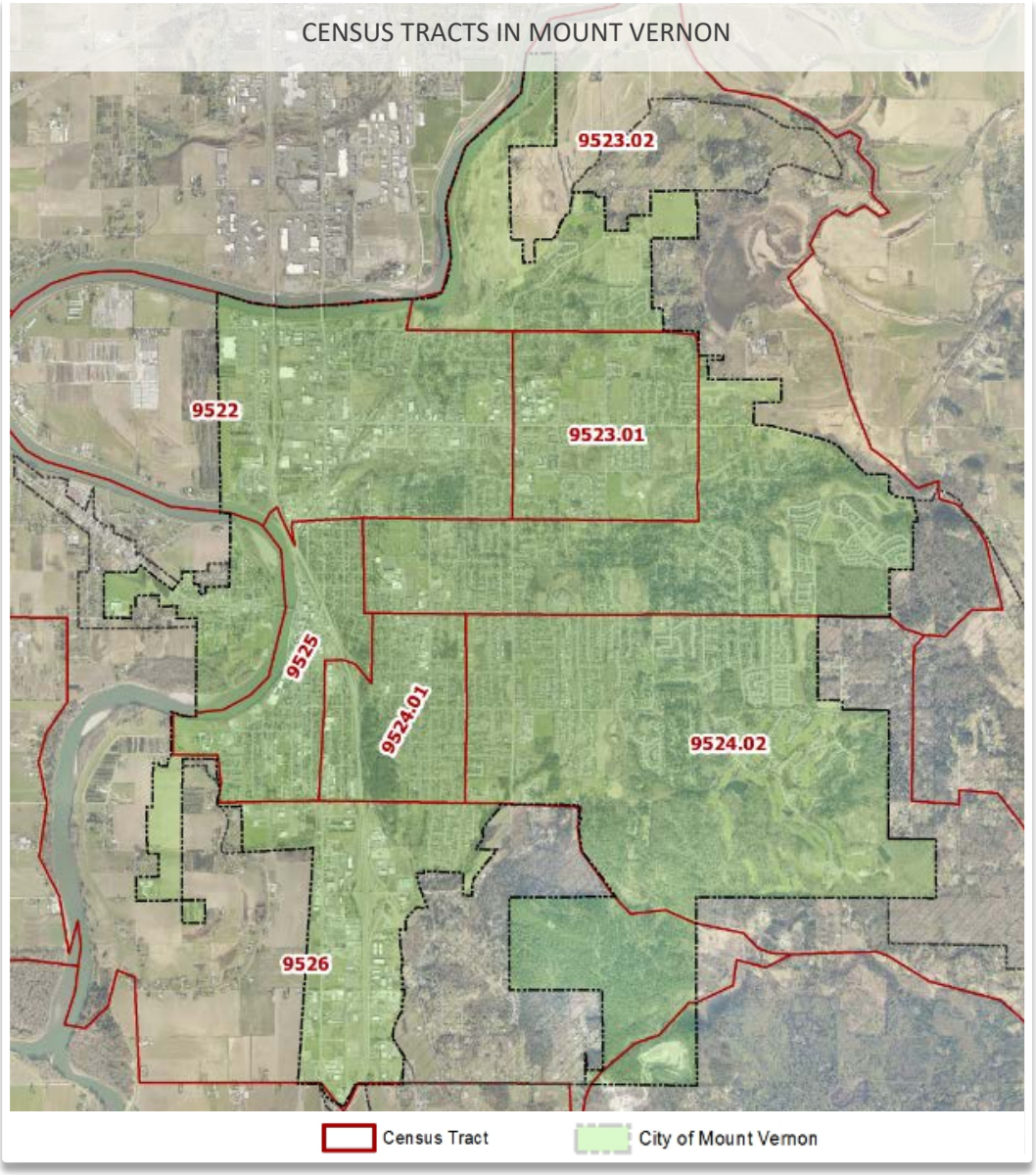
HOUSING ELEMENT CENSUS TRACT DATA

INTRODUCTION

Census tract information is provided in this Appendix for the following metrics provided in the Housing Element. These metrics were chosen to have detailed census tract data gathered and analyzed when their associated city-wide data was compared to other jurisdictions and significant City-wide differences between Mount Vernon and the other jurisdictions were observed.

Following is a list of the Housing Element census tract data contained in this Appendix and a map of the census tracts in Mount Vernon.

A. AVERAGE HOUSEHOLD SIZE
B. OWNED VS RENTED HOUSING UNITS
C. OCCUPANTS PER ROOM
D. HOUSING VALUES
E. RENTAL COSTS
F. INCOME & POVERTY
G. HOUSING AFFORDABILITY



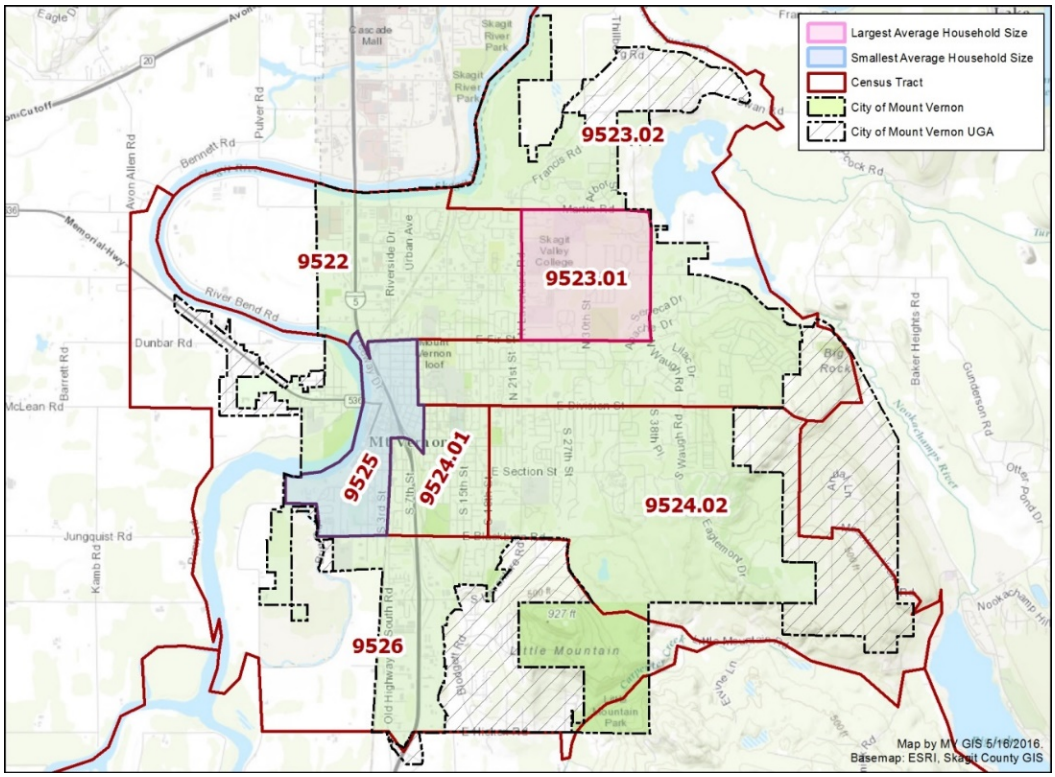
A. AVERAGE HOUSEHOLD SIZE

The overall median occupancy rate (defined as people per occupied household) in the City has steadily increased through the decades. In 1970 this rate was 2.3 versus 2.8 in 2014 (see Table 2.2). In 2014 the City had an overall higher occupancy rate than Skagit County, Burlington, Sedro-Woolley, Anacortes, Everett, Bellingham, the State of Washington and the United States (see Table 2.3). Table A identifies census tract 9523.01 having the highest overall occupancy rate in the City at 3.27 persons per unit. Census tract 9523.01 is identified on the map following Table A.

TABLE A: AVERAGE HOUSEHOLD SIZE 2014 - PERSONS PER UNIT: OWNED VS. RENTED[1]

AVERAGE HOUSEHOLD SIZE	OWNER OCCUPIED	RENTER OCCUPIED	OVERALL
County	2.51	2.70	2.57
City	2.66	2.96	2.80
CENSUS TRACTS:			
9522	2.63	2.84	2.76
9523.01	2.85	3.52	3.27
9523.02	2.92	2.76	2.85
9524.01	2.48	2.94	2.68
9524.02	2.63	3.24	2.83
9525	2.65	1.96	2.33
9526	2.59	2.34	2.53

[1] U.S. Census Bureau; 2014 American Community Survey. *Average Household Size of Occupied Housing Units By Tenure, Table B25010* for Mount Vernon and identified census tracts. Retrieved April 14, 2016, from http://factfinder.census.gov.



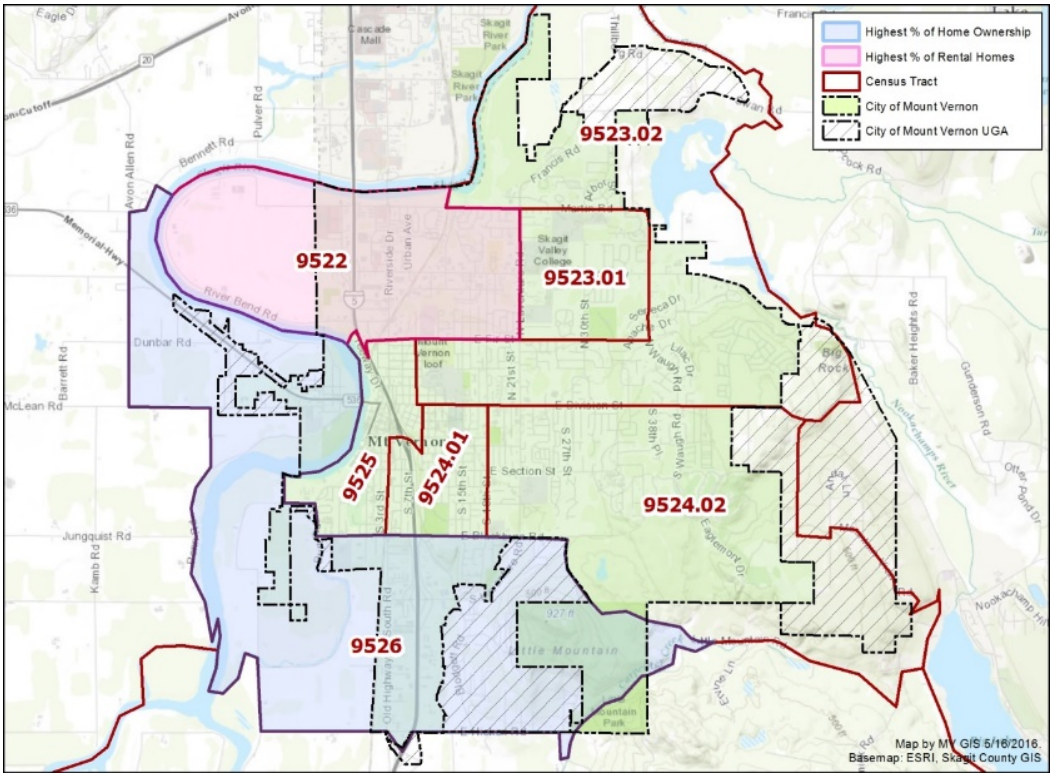
B. OWNED VS RENTED DWELLING UNITS

Home ownership in the City has slowly declined through the decades. In 1960 nearly 70 percent of City residents owned their homes compared to 55 percent in 2014 (see Table 2.11 and Graph 2.13). Table B analyzes the 2010 owned/rented relationship by taking these overall percentages and breaking them into the City's Census Tracts. What is observed is that Census Tracts 9522, 9523.01, and 9525 all have higher percentages of renters than owners, which is opposite of the overall City-wide trend that shows there are more owners than renters. Census Tract 9526 also stands out because it has a much higher percentage of ownership at 72 percent and a lower rental rate at 28 percent of the City-wide average. Census tracts 9522 and 9526 are both identified on the map following Table B.

TABLE B: 2010 OWNED VERSUS RENTED DWELLING UNITS IN CENSUS TRACTS[1]

	OWNED	RENTED
CITY-WIDE AVERAGE	58%	42%
Census Tracts:		
9522	42%	58%
9523.01	47%	53%
9523.02	64%	36%
9524.01	63%	37%
9524.02	69%	31%
9525	46%	54%
9526	72%	28%

[1] U.S. Census Bureau; 2014 American Community Survey. *Selected Housing Characteristics, Table DP04.* Data for the City of Mount Vernon and identified census tracts. Retrieved April 14, 2016, from http://factfinder.census.gov



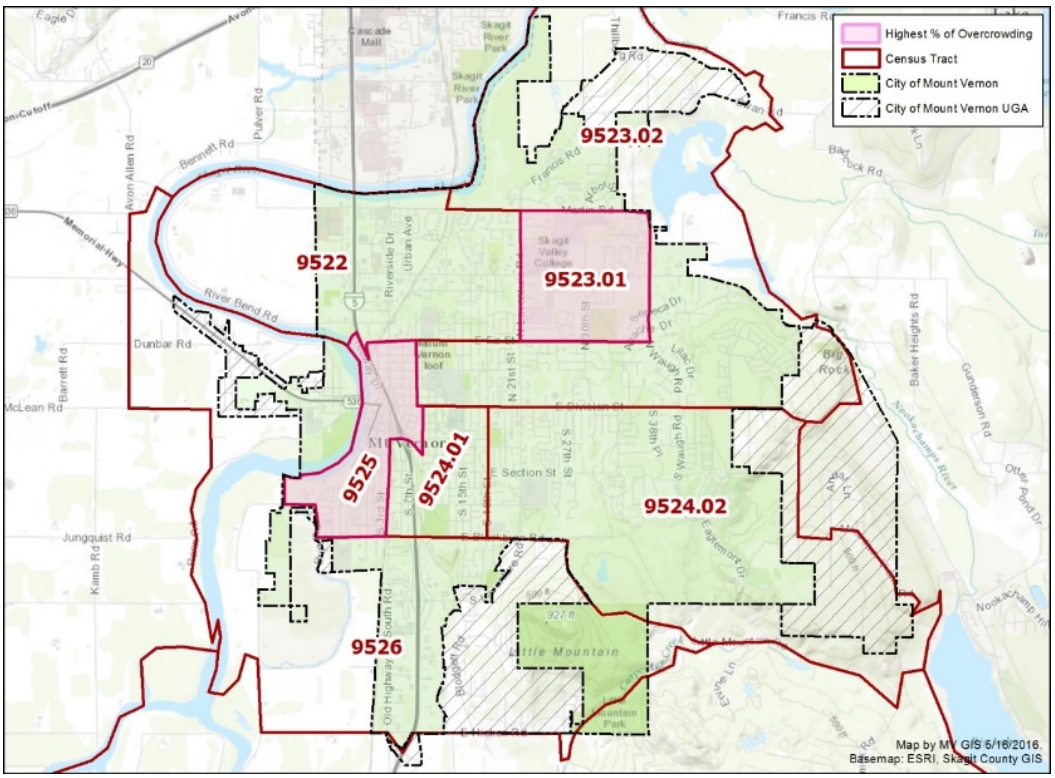
C. OCCUPANTS PER ROOM

From 1960 to 2010 over 90 percent of the City's occupied housing units had one (1) or fewer occupants per room (see Table 2.2). The 2014 Census data indicates that approximately 8.8 percent of the City's housing units are considered overcrowded (more than one person per room); with Census Tract 9523.01 having the highest percent of overcrowding at 24.3 percent. Compared to Burlington Sedro-Woolley, Anacortes, Skagit County, Bellingham, Everett, the State of Washington and the United States Mount Vernon has the highest percent of overcrowding at 8.8 percent (see Table 2.3). The City of Burlington's percent of overcrowding is closest to Mount Vernon's; however, they (Burlington) are still 2.2 percent lower than Mount Vernon. Census tracts 9523.01 and 9525 are both identified on the map following Table C.

TABLE C: OCCUPANCY PER ROOM – MOUNT VERNON BY CENSUS TRACTS[1]

OCCUPANTS PER ROOM	≥ 1	1.01 – 1.5	1.51 +
Mount Vernon	91.3	5.7	3.1
CENSUS TRACTS			
9522	91	7.6	1.4
9523.01	75.7	12.7	11.6
9523.02	93.3	4.9	1.8
9524.01	95.9	4.1	0
9524.02	95	3.1	1.8
9525	94.1	2.3	3.7
9526	96.8	3.2	0

[1] U.S. Census Bureau; 1990, 2000, 2010 and 2014 American Community Survey. *Selected Housing Characteristics, Table DP04*. Data for the City of Mount Vernon and identified census tracts. Retrieved April 14, 2016, from http://factfinder.census.gov



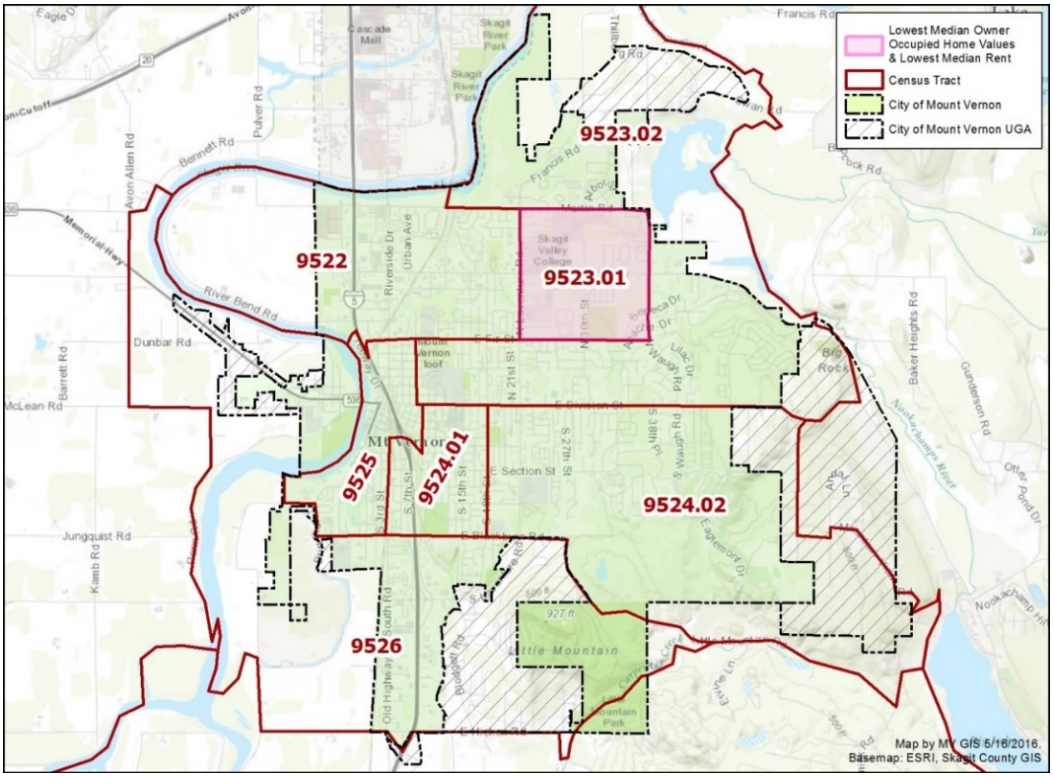
D. HOUSING VALUES

The 2014 Census data showed 40 percent of all homes in the City are valued between $200,000.00 and $299,000.00. Taking a closer look within the U.S. Census Tracts we find that tract 9523.01 has the vast majority of occupied homes valued up to $50,000.00; and tracts 9525 and 9526 have the highest percentages of homes valued at $500,000.00 and more. Tract 9523.01 has a higher percentage of homes valued under $149,000.00 than any other tract; and this tract also has the lowest median home value as compared to the other tracts at $168,100.00. Census tract 9523.01 is identified on the map following Table D.

TABLE D: OWNER OCCUPIED HOME VALUES – 2014[1]

	$0 to $50K	$50K to $99K	$100K to $149K	$150K to $199K	$200K to $299K	$300K to $499K	$500K & Up	Median
City	10.9%	1.8%	11.5%	21%	39.9%	13.3%	1.6%	$210,700.00
CENSUS TRACTS:								
9522	16.8%	2.2%	10.4%	25.5%	34.2%	9.7%	1.2%	$190,600.00
9523.01	30.9%	2.6%	5.3%	22%	39.2%	0%	0%	$168,100.00
9523.02	2.8%	2.1%	5.5%	18.5%	44.4%	23.6%	3.1%	$258,100.00
9524.01	0%	2.9%	15.2%	32.7%	43.6%	5.6%	0%	$198,700.00
9524.02	13.8%	.8%	12.8%	13.9%	37.3%	18.3%	3.1%	$217,100.00
9525	0%	1.7%	27.2%	30%	26%	9.2%	5.9%	$177,000.00
9526	9.1%	1.8%	12.1%	12.5%	40.5%	18.1%	5.9%	$230,200.00

[1] U.S. Census Bureau, 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the cities of Mount Vernon and listed Census Tracts. Retrieved April 14, 2016, from http://factfinder.census.gov



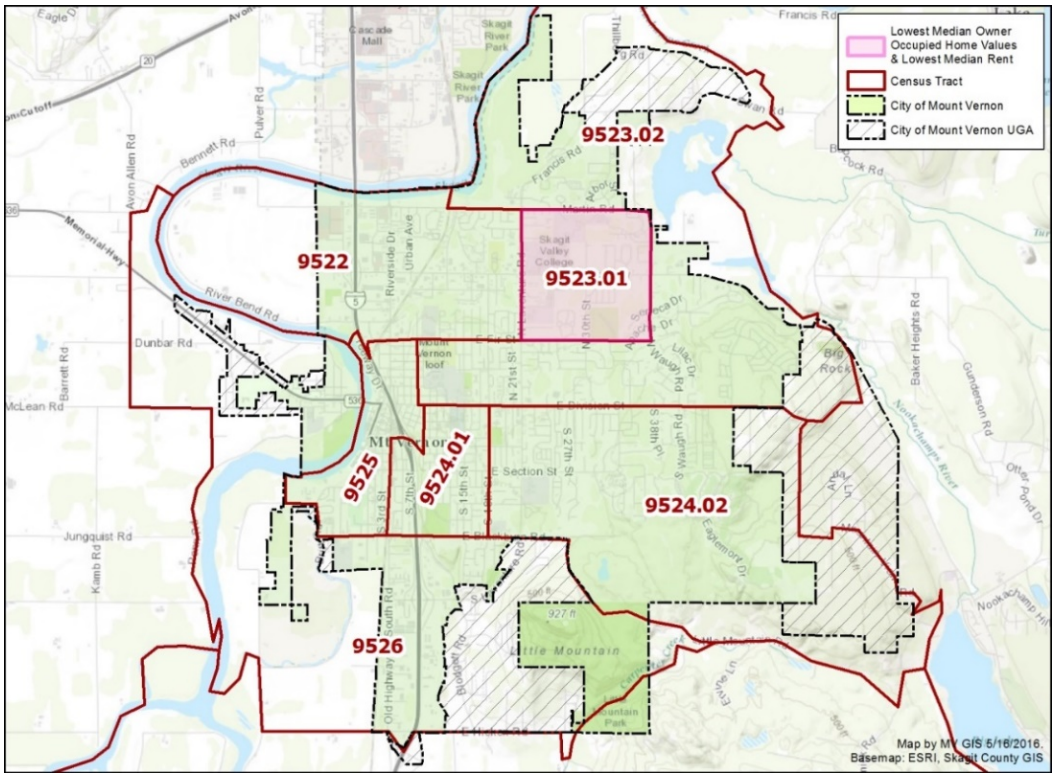
E. RENTAL COSTS

The City's median gross rent in 2014 was $906.00. Table 4.18 provides a breakdown of the number of units available in different rental categories in the City by individual census tract. This table provides a look at rental cost throughout the City. Census tract 9525 has the lowest median contract rent at $754.00, with 34.7 percent of the units in that census tract having rents under $750.00. In contrast, Census Tract 9526 has the highest median gross rent of $1,132.00 with only 6 percent of the units having rents under $750.00; over 16 percent of the units in this census tract have gross rents that are $1,500.00 or greater. Census tract 9523.01 is identified on the map following Table E.

TABLE E: GROSS RENT BETWEEN CENSUS TRACTS – MOUNT VERNON, 2014[1]

	0-$499	$500-$749	$750-$999	$1,000-$1,499	$1,500 OR MORE	MEDIAN
City-wide	9.4%	20.3%	32.3%	28.7%	9.3%	$906
CENSUS TRACTS:						
9522	7.8%	11.2%	48.4%	22.7%	9.9%	$874
9523.01	23.9%	30.3%	29%	13.9%	2.9%	$729
9523.02	3.3%	19.6%	22.1%	39%	15.9%	$1,033
9524.01	2.4%	30.4%	34.4%	24%	8.7%	$900
9524.02	5.2%	5.4%	38.2%	39.6%	11.5%	$1,020
9525	13.9%	34.7%	27.1%	24.4%	0%	$754
9526	2.8%	6%	32.2%	42.9%	16.1%	$1,132

[1] U.S. Census Bureau, 2014 American Community Survey. Selected Housing Characteristics, Table DP04. Data for the city of Mount Vernon and listed Census Tracts. Retrieved April 14, 2016, from http://factfinder.census.gov



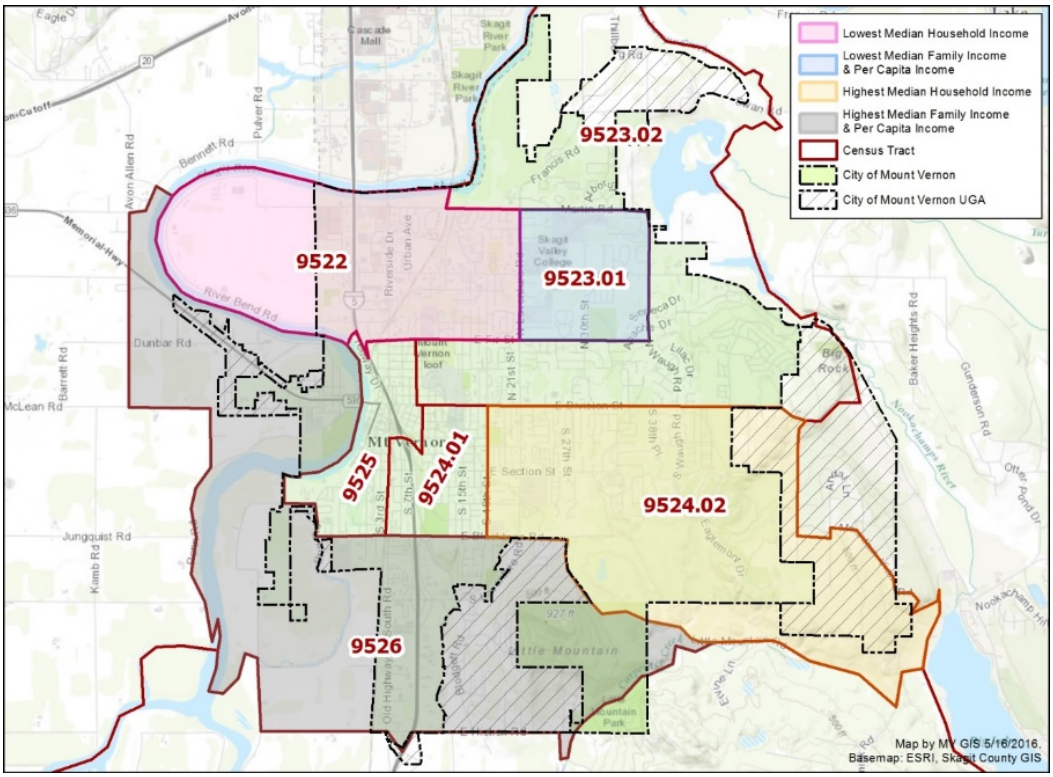
F. INCOME & POVERTY

The City's median household income, median family income, and per capita income has not kept pace with nearby jurisdictions, the State of Washington and the United States (see Table 4.0 and Graphs 4.1 and 4.7). Table F identifies census tracts 9522 and 9523.01 has having median household income, median family income, and per capita income that is notably lower than the City-wide averages. Conversely, census tract 9523.02 has notably higher median household income, median family income, and per capita income than the City-wide average. Census tracts 9522, 9523.01, and 9524.02 are all identified on the map following Table F.

TABLE F: MEDIAN HOUSEHOLD INCOME (2014) MOUNT VERNON[1]

	MEDIAN HOUSEHOLD INCOME	MEDIAN FAMILY INCOME	PER CAPITA INCOME
Mount Vernon	$44,404.00	$50,909	$21,623.00
CENSUS TRACTS			
9522	$31,736.00	$37,637.00	$16,080.00
9523.01	$33,111.00	$32,783.00	$15,370.00
9523.02	$57,577.00	$69,432.00	$26,387.00
9524.01	$45,625.00	$43,542.00	$21,139.00
9524.02	$54,276.00	$59,384.00	$26,747.00
9525	$33,071.00	$60,139.00	$20,318.00
9526	$53,688.00	$60,980.00	$29,414.00

[1] U.S. Census Bureau; 2014 American Community Survey for Mount Vernon. *Selected Economic Characteristics; U.S. Census Bureau, Census 2000 Summary File 3, Matrices P30, P32, P33, P43, P46, P49, P50, P51, P52, P53, P58, P62, P63, P64, P65, P67, P71, P72, P73, P74, P76, P77, P82, P87, P90, PCT47, PCT52, and PCT53.* Data for the city of Mount Vernon and listed Census Tracts. Retrieved April 21, 2016, from http://factfinder.census.gov.



G. AFFORDABLE HOUSING

Renters are significantly more cost burdened than home owners are in Mount Vernon. Nearly 35 percent of renter households in the City, that are making 80 percent (or less) of the area median income (AMI), are paying more than 30 percent of their income on housing; further, nearly one-third of these households are paying more than 50 percent of their income on housing. Contrasted with homeowners, we see that 19.8 percent of homeowners are paying more than 30 percent of their income on their housing with a little less than one-third of these homeowners paying more than 50 percent of their income on housing. Table G shows that as a percentage in census tract 9524.01 there are more homeowners paying more than 30 percent of their income on housing; whereas, census tracts 9524.02 and 9526 both have high percentages of renters paying more than 30 percent of their income on housing at 73.3 percent and 78.0 percent, respectively. Census tracts 9524.01 and 9526 are both identified on the map following Table G.

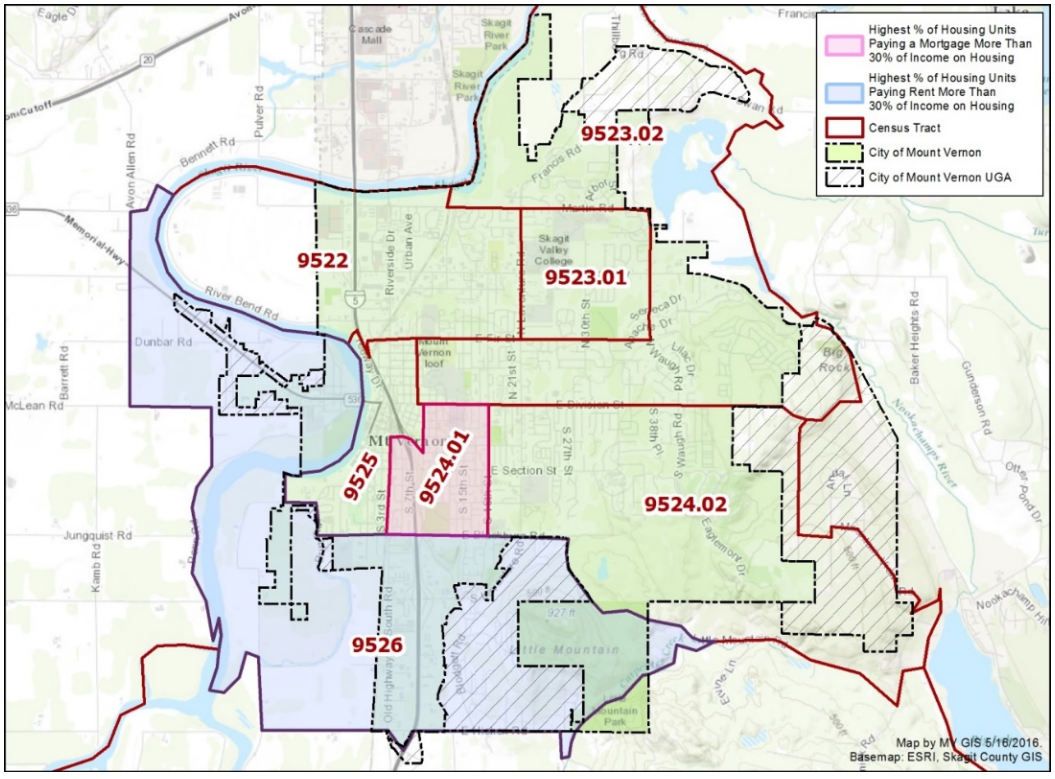
TABLE G: HOUSING COSTS > 30% OF INCOME, MOUNT VERNON IN 2014[1]

	HOUSING UNITS WITH A MORTGAGE	HOUSING UNITS WITHOUT A MORTGAGE	HOUSING UNITS PAYING RENT
City Wide	39.8%	23.3%	65.3%
TRACTS:			
9522	49.8%	7.4%	67.5%
9523.01	35.3%	40.0%	63.4%
9523.02	43.8%	9.6%	64.2%
9524.01	51.8%	30.5%	47.3%
9524.02	29.3%	36.1%	73.3%
9525	39.8%	12.9%	60.1%
9526	41.5%	9.6%	78.0%

[1] U.S. Department of Housing & Urban Development. *Consolidated Planning, CHAS Data, 2008 to 2012*. Retrieved May 2, 2016. Data for the City of Mount Vernon and listed Census Tracts. from https://www.huduser.gov

[2] Cost burden is the ratio of housing costs to household income. For renters, housing cost is gross rent (contract rent plus utilities).

[3] For owners, housing cost is "select monthly owner costs", which includes mortgage payment, utilities, association fees, insurance, and real estate taxes.



City of MOUNT VERNON

Appendix C

SELECTED HOUSING ELEMENT ARTICLES AND INFORMATION

Your Gateway to the History of the Federal Reserve System

2007–2010

Subprime Mortgage Crisis

The expansion of mortgages to high-risk borrowers, coupled with rising house prices, contributed to a period of turmoil in financial markets that lasted from 2007 to 2010.

by John V. Duca, Federal Reserve Bank of Dallas

How and Why the Crisis Occurred

Sections

The subprime mortgage crisis of 2007–10 stemmed from an earlier expansion of mortgage credit, including to borrowers who previously would have had difficulty getting mortgages, which both contributed to and was facilitated by rapidly rising home prices. Historically, potential homebuyers found it difficult to obtain mortgages if they had below average credit histories, provided small down payments or sought high-payment loans. Unless protected by government insurance, lenders often denied such mortgage requests. While some high-risk families could obtain small-sized mortgages backed by the Federal Housing Administration (FHA), others, facing limited credit options, rented. In that era, homeownership fluctuated around 65 percent, mortgage foreclosure rates were low, and home construction and house prices mainly reflected swings in mortgage interest rates and income.

In the early and mid-2000s, high-risk mortgages became available from lenders who funded mortgages by repackaging them into pools that were sold to investors. New financial products were used to apportion these risks, with private-label mortgage-backed securities (PMBS) providing most of the funding of subprime mortgages. The less vulnerable of these securities were viewed as having low risk either because they were insured with new financial instruments or because other securities would first absorb any losses on the underlying mortgages (DiMartino and Duca 2007). This enabled more first-time homebuyers to obtain mortgages (Duca, Muellbauer, and Murphy 2011), and homeownership rose.

The resulting demand bid up house prices, more so in areas where housing was in tight supply. This induced expectations of still more house price gains, further increasing housing demand and prices (Case,

Shiller, and Thompson 2012). Investors purchasing PMBS profited at first because rising house prices protected them from losses. When high-risk mortgage borrowers could not make loan payments, they either sold their homes at a gain and paid off their mortgages, or borrowed more against higher market prices. Because such periods of rising home prices and expanded mortgage availability were relatively unprecedented, and new mortgage products' longer-run sustainability was untested, the riskiness of PMBS may not have been well-understood. On a practical level, risk was "off the radar screen" because many gauges of mortgage loan quality available at the time were based on prime, rather than new, mortgage products.

When house prices peaked, mortgage refinancing and selling homes became less viable means of settling mortgage debt and mortgage loss rates began rising for lenders and investors. In April 2007, New Century Financial Corp., a leading subprime mortgage lender, filed for bankruptcy. Shortly thereafter, large numbers of PMBS and PMBS-backed securities were downgraded to high risk, and several subprime lenders closed. Because the bond funding of subprime mortgages collapsed, lenders stopped making subprime and other nonprime risky mortgages. This lowered the demand for housing, leading to sliding house prices that fueled expectations of still more declines, further reducing the demand for homes. Prices fell so much that it became hard for troubled borrowers to sell their homes to fully pay off their mortgages, even if they had provided a sizable down payment.

As a result, two government-sponsored enterprises, Fannie Mae and Freddie Mac, suffered large losses and were seized by the federal government in the summer of 2008. Earlier, in order to meet federally mandated goals to increase homeownership, Fannie Mae and Freddie Mac had issued debt to fund purchases of subprime mortgage-backed securities, which later fell in value. In addition, the two government enterprises suffered losses on failing prime mortgages, which they had earlier bought, insured, and then bundled into prime mortgage-backed securities that were sold to investors.

In response to these developments, lenders subsequently made qualifying even more difficult for high-risk and even relatively low-risk mortgage applicants, depressing housing demand further. As foreclosures increased, repossessions multiplied, boosting the number of homes being sold into a weakened housing market. This was compounded by attempts by delinquent borrowers to try to sell their homes to avoid foreclosure, sometimes in "short sales," in which lenders accept limited losses if homes were sold for less than the mortgage owed.

In these ways, the collapse of subprime lending fueled a downward spiral in house prices that unwound much of the increases seen in the subprime boom.

The housing crisis provided a major impetus for the recession of 2007-09 by hurting the overall economy in four major ways. It lowered construction, reduced wealth and thereby consumer spending, decreased the ability of financial firms to lend, and reduced the ability of firms to raise funds from securities markets (Duca and Muellbauer 2013).

Steps to Alleviate the Crisis

The government took several steps intended to lessen the damage. One set of actions was aimed at encouraging lenders to rework payments and other terms on troubled mortgages or to refinance "underwater" mortgages (loans exceeding the market value of homes) rather than aggressively seek foreclosure. This reduced repossessions whose subsequent sale could further depress house prices. Congress also passed temporary tax credits for homebuyers that increased housing demand and eased the fall of house prices in 2009 and 2010. To buttress the funding of mortgages, the Congress greatly increased the maximum size of mortgages that FHA would insure. Because FHA loans allow for low down payments, the agency's share of newly issued mortgages jumped from under 10 percent to over 40 percent.

The Federal Reserve, which lowered short-term interest rates to nearly 0 percent by early 2009, took additional steps to lower longer-term interest rates and stimulate economic activity (Bernanke 2012). This included buying large quantities of long-term Treasury bonds and mortgage-backed securities that funded prime mortgages. To further lower interest rates and to encourage confidence needed for economic recovery, the Federal Reserve committed itself to purchasing long-term securities until the job market substantially improved and to keeping short-term interest rates low until unemployment levels declined, so long as inflation remained low (Bernanke 2013; Yellen 2013). These moves and other housing policy actions—along with a reduced backlog of unsold homes following several years of little new construction—helped stabilize housing markets by 2012 (Duca 2014). Around that time, national house prices and home construction began rising, home construction rose off its lows, and foreclosure rates resumed falling from recession highs. By mid-2013, the percent of homes entering foreclosure had declined to pre-recession levels and the long-awaited recovery in housing activity was solidly underway.

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EconomicLetter

Insights from the
FEDERAL RESERVE BANK OF DALLAS

The Rise and Fall of Subprime Mortgages

by Danielle DiMartino and John V. Duca

Past behavior suggests that housing markets' adjustment to more realistic lending standards is likely to be prolonged.

After booming the first half of this decade, U.S. housing activity has retrenched sharply. Single-family building permits have plunged 52 percent and existing-home sales have declined 30 percent since their September 2005 peaks (*Chart 1*).

A rise in mortgage interest rates that began in the summer of 2005 contributed to the housing market's initial weakness. By late 2006, though, some signs pointed to renewed stability. They proved short-lived as loan-quality problems sparked a tightening of credit standards on mortgages, particularly for newer and riskier products. As lenders cut back, housing activity began to falter again in spring 2007, accompanied by additional rises in delinquencies and foreclosures. Late-summer financial-market turmoil prompted further toughening of mortgage credit standards.

The recent boom-to-bust housing cycle raises important questions. Why did it occur, and what role did subprime lending play? How is the retrenchment in lending

activity affecting housing markets, and will it end soon? Is the housing slowdown spilling over into the broader economy?

Rise of Nontraditional Mortgages

Monitoring housing today entails tracking an array of mortgage products. In the past few years, a fast-growing market seized upon such arrangements as "option ARMs," "no-doc interest-onlys" and "zero-downs with a piggyback." For our purposes, it's sufficient to distinguish among prime, jumbo, subprime and near-prime mortgages.

Prime mortgages are the traditional—and still most prevalent—type of loan. These go to borrowers with good credit, who make traditional down payments and fully document their income. Jumbo loans are generally of prime quality, but they exceed the $417,000 ceiling for mortgages that can be bought and guaranteed by government-sponsored enterprises.

Subprime mortgages are extended to applicants deemed the least creditworthy because of low credit scores or uncertain income prospects, both of which reflect the highest default risk and warrant the highest interest rates. Near-prime mortgages, which are smaller than jumbos, are made to borrowers who qualify for credit a notch above subprime but may not be able to fully document their income or provide traditional down payments. Most mortgages in the near-prime category are securitized in so-called Alternative-A, or Alt-A, pools.

Some 80 percent of outstanding U.S. mortgages are prime, while 14 percent are subprime and 6 percent fall into the near-prime category. These numbers, however, mask the explosive growth of nonprime mortgages. Subprime and near-prime loans shot up from 9 percent of newly originated securitized mortgages in 2001 to 40 percent in 2006.[1]

The nonprime boom introduced practices that made it easier to obtain loans. Some mortgages required little or no proof of income; others needed little or no down payment. Homebuyers could take out a simultaneous second, or piggyback, mortgage at the time of purchase, make interest-only payments for up to 15 years, skip payments by reducing equity or, in some cases, obtain a mortgage that exceeded the home's value.

These new practices opened the housing market to millions of Americans, pushing the homeownership rate from 63.8 percent in 1994 to a record 69.2 percent in 2004. Although low interest rates bolstered homebuying early in the decade, the expansion of nonprime mortgages clearly played a role in the surge of homeownership.

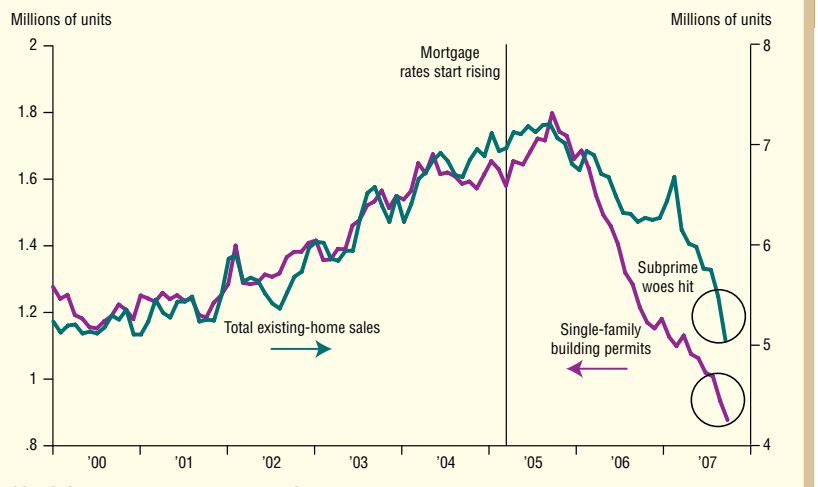
Two crucial developments spurred nonprime mortgages' rapid growth. First, mortgage lenders adopted the credit-scoring techniques first used in making subprime auto loans. With these tools, lenders could better sort applicants by creditworthiness and offer them appropriately risk-based loan rates.

By itself, credit scoring couldn't have fostered the rapid growth of nonprime lending. Banks lack the equity capital needed to hold large volumes of these risky loans in their portfolios. And lenders of all types couldn't originate and then sell these loans to investors in the form of residential mortgage-backed securities, or RMBS—at least not without added protection against defaults.

The spread of new products offering default protection was the second crucial development that fostered subprime lending growth. Traditionally, banks made prime mortgages funded with deposits from savers. By the 1980s and 1990s, the need for deposits had eased as mortgage lenders created a new way for funds to flow from savers and investors to prime borrowers through government-sponsored enterprises (GSEs) (*Chart 2, upper panel*).

Fannie Mae and Freddie Mac are the largest GSEs, with Ginnie Mae being smaller. These enterprises guarantee the loans and pool large groups of them into RMBS. They're then sold to investors, who receive a share of the payments on the underlying mortgages. Because the GSEs are federally chartered, investors perceive an

Chart 1
Housing Activity Drops Off



SOURCES: National Association of Realtors; Census Bureau; authors' calculations.

implicit government guarantee of them. Fannie Mae and Freddie Mac, however, haven't packaged many nonprime mortgages into RMBS.

Lacking the same perceived status, nonagency RMBS—those not issued by Fannie Mae, Freddie Mac and Ginnie Mae—faced the hurdle of paying investors extremely large premiums to compensate them for high default risk. These high costs would have pushed nonprime interest rates to levels outside the reach of targeted borrowers.

This is where financial innovations came into play. Some—like collateralized debt obligations (CDOs), a common RMBS derivative—were designed to protect investors in nonagency securities against default losses. Such CDOs divide the streams of income that flow from the underlying mortgages into tranches that absorb default losses according to a preset priority.

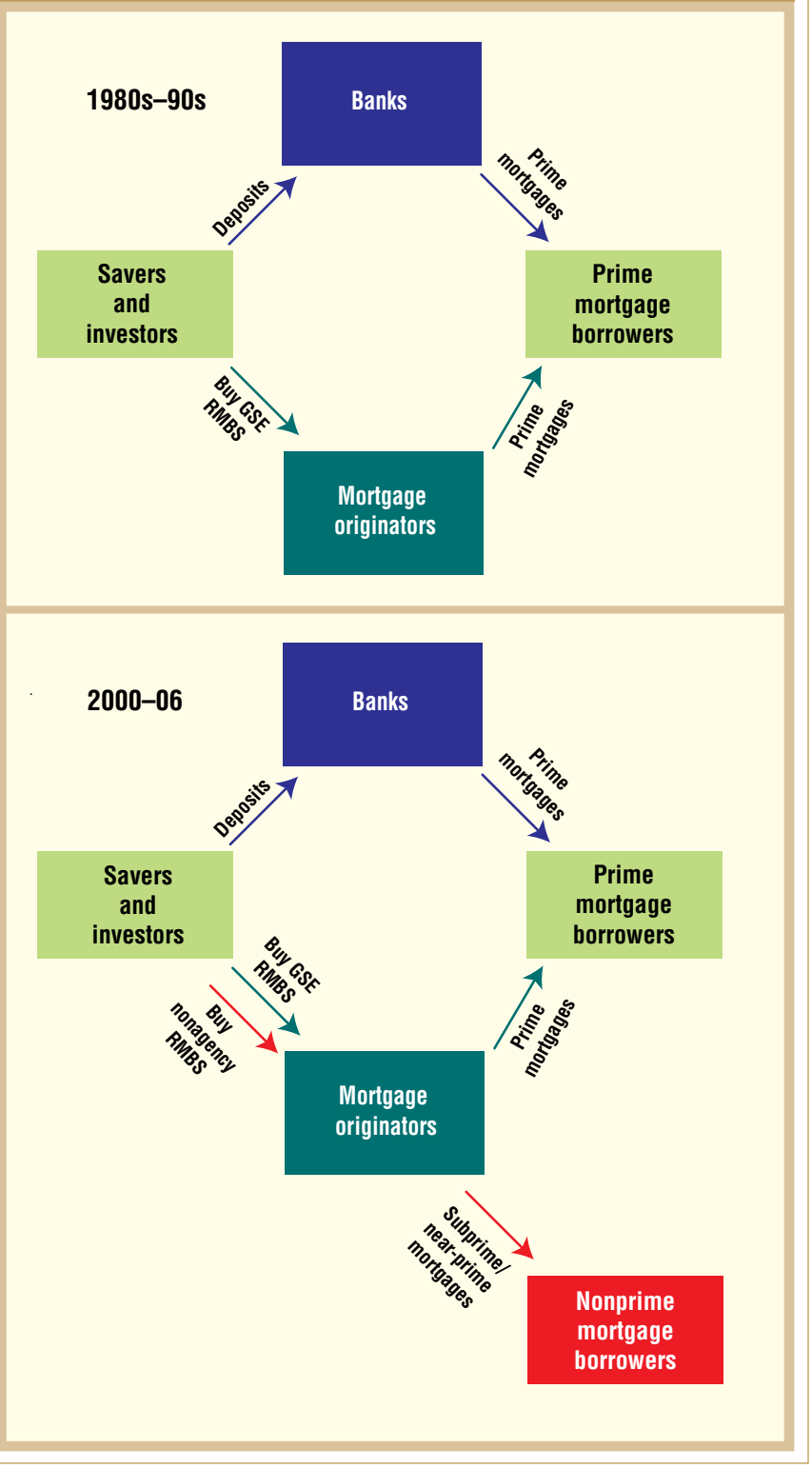
The lowest-rated tranche absorbs the first defaults on the pool of underlying mortgages, with successively higher ranked and rated tranches absorbing any additional defaults. If defaults turn out to be low, there may be no losses for higher-ranked tranches to absorb. But if defaults are much greater than expected, even higher-rated tranches may face losses.

Having confidence in the ability of quantitative models to accurately measure nonprime default risk, a brisk market emerged for securities backed by nonprime loans. The combination of new credit-scoring techniques and new nonagency RMBS products enabled nonprime-rated applicants to qualify for mortgages, opening a new channel for funds to flow from savers to a new class of borrowers in this decade (*Chart 2, lower panel*).

Nonprime Boom Unravels

As problems began to emerge in late 2006, investors realized they had purchased nonprime RMBS with overly optimistic expectations of loan quality.[2] Much of their misjudgment plausibly stemmed from the difficulty of forecast-

Chart 2
Mortgage Financial Flows



Failure to appreciate the risks of nonprime loans prompted lenders to overly ease credit standards. The result was a huge jump in origination shares for subprime and near-prime mortgages.

ing default losses based on the short history of nonprime loans.

Subprime loan problems had surfaced just before and at the start of the 2001 recession but then rapidly retreated from 2002 to 2005 as the economy recovered (*Chart 3*). This pre-2006 pattern suggested that as long as unemployment remained low, so, too, would default and delinquency rates.

This interpretation ignored two other factors that had helped alleviate subprime loan problems earlier in the decade. First, this was a period of rapidly escalating home prices. Subprime borrowers who encountered financial problems could either borrow against their equity to make house payments or sell their homes to settle their debts. Second, interest rates declined significantly in the early 2000s. This helped lower the base rate to which adjustable mortgage rates were indexed, thereby limiting the increase when initial, teaser rates ended.

Favorable home-price and interest rate developments likely led models that were overly focused on unemployment as a driver of problem loans to underestimate the risk of nonprime mortgages. Indeed, swings in home-price appreciation and interest rates may also explain why prime and subprime loan quality have trended together in the 2000s. This can be seen once we account for the fact that past-due rates—the percentage of mortgages delinquent or in some stage of foreclosure—typically run five times higher on subprime loans (*Chart 3*). When the favorable home-price and interest rate factors reversed, the past-due rate rose markedly, despite continued low unemployment.

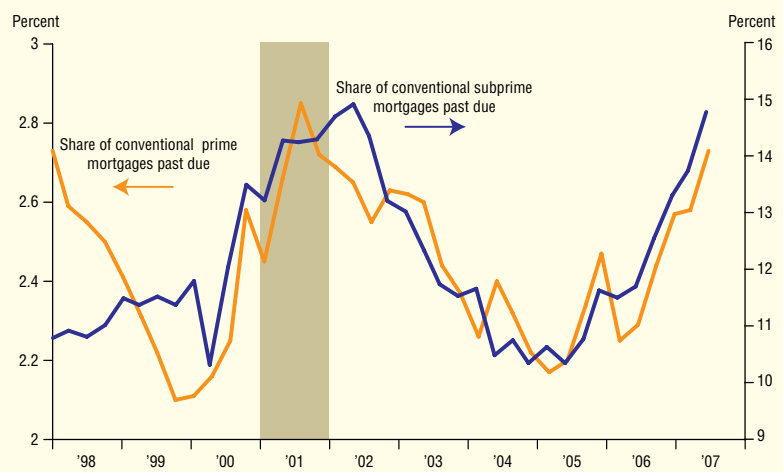
Failure to appreciate the risks of nonprime loans prompted lenders to overly ease credit standards.[3] The result was a huge jump in origination shares for subprime and near-prime mortgages.

Compared with conventional prime loans in 2006, average down payments were lower, at 6 percent for subprime mortgages and 12 percent for near-prime loans.[4] The relatively small down payments often entailed borrowers' taking out piggyback loans to pay the portion of their home prices above the 80 percent covered by first-lien mortgages.

Another form of easing facilitated the rapid rise of mortgages that didn't require borrowers to fully document their incomes. In 2006, these low- or no-doc loans comprised 81 percent of near-prime, 55 percent of jumbo, 50 percent of subprime and 36 percent of prime securitized mortgages.

The easier lending standards coincided with a sizeable rise in adjustable-rate mortgages (ARMs). Of the mortgages originated in 2006 that were later securitized, 92 percent of subprime, 68 percent of near-prime, 43 percent of jumbo and 23 percent of prime mortgages had adjustable rates. Now, with rates on one-year adjustable and 30-year fixed mortgages close, ARMs' market share has dwindled to 15 percent, less than half its recent peak of 35 percent in 2004.

Chart 3
Quality of Prime and Subprime Mortgages Deteriorates



NOTES: Conventional mortgages are those not insured by the Federal Housing Administration or guaranteed by the U.S. Department of Veterans Affairs. Data are seasonally adjusted. Shaded area indicates recession.

SOURCE: Mortgage Bankers Association.

In early 2007, investors and lenders began to realize the ramifications of credit-standard easing. Delinquency rates for 6-month-old subprime and near-prime loans underwritten in 2006 were far higher than those of the same age originated in 2004.

Other signs of deterioration also surfaced. The past-due rate for outstanding subprime mortgages rose sharply and neared the peak reached in 2002, with the deterioration much worse for adjustable- than fixed-rate mortgages. In first quarter 2007, the rate at which residential mortgages entered foreclosure rose to its fastest pace since tracking of these data began in 1970.

Lenders reacted to these signs by initially tightening credit standards more on riskier mortgages. In the Federal Reserve's April 2007 survey of senior loan officers, 15 percent of banks indicated they had raised standards for mortgages to prime borrowers in the prior three months, but a much higher 56 percent had done so for subprime mortgages. Responses to the July 2007 survey were similar.

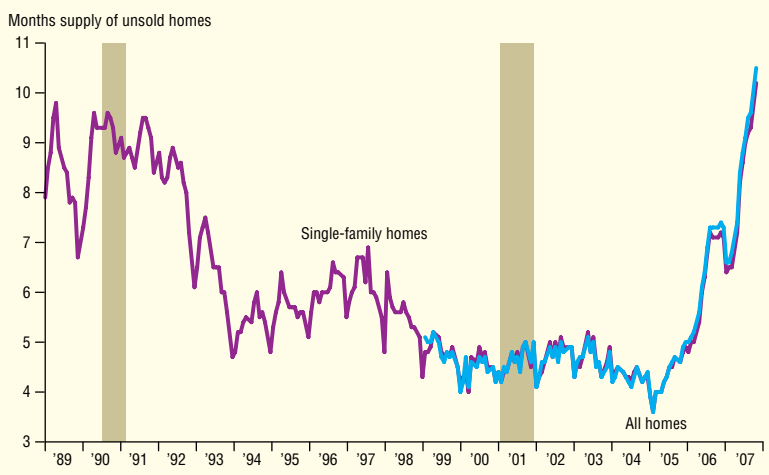
However, in the October 2007 survey the share of banks tightening standards on prime mortgages jumped to 41 percent, while 56 percent did so for subprime loans. Many nonbank lenders have also imposed tougher standards or simply exited the business altogether. This likely reflects lenders' response to the financial disruptions seen since last summer.

The stricter standards meant fewer buyers could bid on homes, affecting prices for prime and subprime borrowers alike. Foreclosures added to downward pressures on home prices by raising the supply of houses on the market. And after peaking in September 2005, single-family home sales fell in September 2007 to their lowest level since January 1998.

The number of unsold homes on the market has risen, sharply pushing up the inventory-to-sales ratio for existing single-family homes from their low in January 2005 to their highest level since the start of this series in 1989 (*Chart 4*). Condominium supply, which is reflected in the all-home numbers, has experienced an even sharper increase since early 2005.

Chart 4

Existing-Home Inventories Rise from Late-2004 Lows



NOTE: The all-homes category covers single-family homes, condominiums and nonrental apartments. Shaded areas indicate recession.

SOURCE: National Association of Realtors.

In the absence of home-price appreciation, many households are finding it difficult to refinance their way out of adjustable-rate mortgages.

These high inventories will likely weigh on construction and home prices for months to come. After peaking in early 2005, the Standard & Poor's/Case-Shiller index of year-over-year home-price appreciation in 10 large U.S. cities was down 5 percent in August—its biggest drop since 1991. While a Freddie Mac gauge of home prices posted a small year-over-year gain in the second quarter, the pace was dramatically off its highest rate, reported in third quarter 2005 (*Chart 5*).

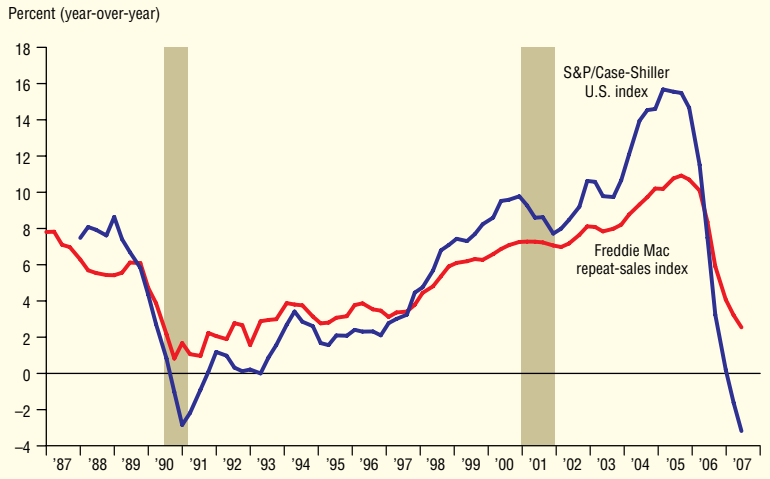
In the absence of home-price appreciation, many households are finding it difficult to refinance their way out of adjustable-rate mortgages obtained at the height of the housing boom. Larger mortgage payments could exacerbate delinquencies and foreclosures, especially with interest rate resets expected to remain high for the next year (*Chart 6*). This suggests mortgage quality will likely continue to fall off for some time.

Financial Turmoil

By August 2007, the housing market's weaknesses were apparent: loan-quality problems, uncertainty about inventories, interest rate resets and spillovers from weaker home prices. These, coupled with ratings agencies' downgrading of many subprime RMBS, led to a dramatic thinning in trading for subprime credit instruments, many of which carried synthet-

Chart 5

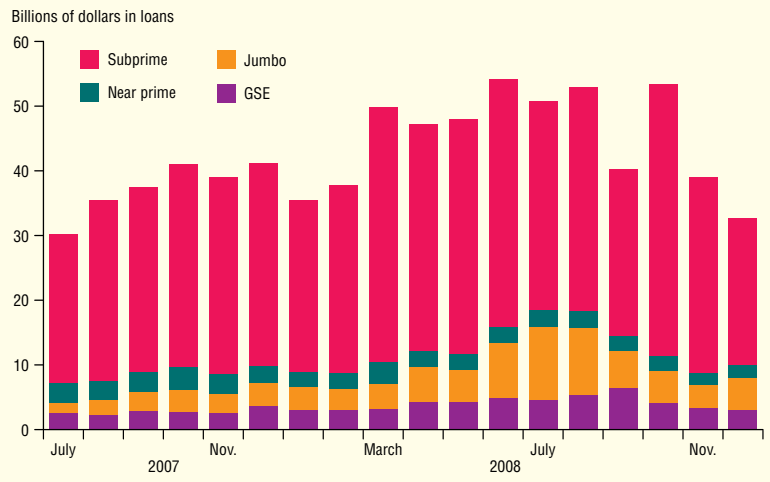
Home-Price Appreciation Plunges into Negative Territory



NOTE: Shaded areas indicate recession.
SOURCES: Freddie Mac; Standard & Poor's/Case-Shiller.

Chart 6

Scheduled Resets on Adjustable-Rate Mortgages Remain High



SOURCE: Bank of America estimates based on LoanPerformance data.

ic, rather than market, values based on models because of the instruments' illiquidity.

On Aug. 14, the paralysis in the capital markets led three investment funds to halt redemptions because they couldn't reasonably calculate the prices at which their shares could be valued. This event triggered widespread concern about the pricing of many new instruments, calling into question many financial firms' market values and disrupting the normal workings of the financial markets.

Investors sought liquidity, putting upward pressure on overnight interest rates and sparking a sharp upward repricing of risk premiums on assets, particularly those linked to nonprime mortgages. One outcome was an interest rate spike for both mortgage-backed commercial paper and jumbo mortgages, which heightened financial market uncertainty. In this environment, nonagency RMBS were viewed as posing more liquidity and default risk than those packaged by Fannie Mae and Freddie Mac.

Facing greater perceived default risk, investors began demanding much higher risk premiums on jumbo mortgage securities, pushing up the cost of funding such loans via securitization and encouraging lenders to incur the extra cost of holding more of these loans in their portfolios. This contributed to a 1 percentage point jump in jumbo interest rates between June and late August, an especially important increase given that jumbos accounted for about 12 percent of mortgage originations last year.

Although spreads between jumbo and conforming loan rates have fallen off their late-summer highs, they're still elevated. The higher rates have dampened the demand for more expensive homes, just as tighter credit standards reduced the number of buyers for lower-end homes.

Macroeconomic Effects

A housing slowdown mainly affects gross domestic product by curtailing

housing construction and home-related spending. It also reins in spending by consumers who have less housing wealth against which to borrow.[5]

Residential construction likely exerted its largest negative effect in third quarter 2006, when it subtracted 1.3 percentage points from the annual pace of real GDP growth. Last year, many forecasts predicted home construction would stop restraining GDP growth by the end of 2007 and the industry would start recovering in 2008. These predictions were made before the tightening of nonprime credit standards began in late 2006. The change in standards will likely prolong the housing downturn and delay the recovery, although it's hard to tell precisely for how long. Since single-family permits have already fallen 52 percent from their September 2005 peak, however, the worst of the homebuilding drag may be behind us.

The same may not be true for housing's indirect effect on consumption. Since the late 1990s, many homeowners have borrowed against housing wealth, using home equity lines of credit or cash-out refinancing or not fully rolling over capital gains on one house into a down payment or improvements on the next one. These mortgage equity withdrawals gave people access to lower cost, collateralized loans, which bolstered spending on consumer goods. By one measure, these withdrawals were as large as 6 to 7 percent of labor and transfer income in the early to mid-2000s.

The magnitude and timing of these withdrawals may have changed in hard-to-gauge ways. New research suggests housing wealth's impact on consumer spending grew as recent financial innovations expanded the ability to tap housing equity.[6] This is consistent with prior research on housing's connection to U.S. consumer spending.[7] Aside from the interest-rate-related refinancing surge of 2002 and 2003, mortgage equity-withdrawal movements have become increasingly sensitive to swings in home-price appreciation since a 1986 law granted a federal income tax deduction for home equity loans (*Chart 7*).

Compounding the uncertain outlook for consumption is the likely reversal of the early 2000s' mortgage credit liberalization.[8] This will put further downward pressure on home prices and housing wealth and may curtail home equity loans and cash-out refinancings. Finally, the homebuying enabled by the easing of credit standards in recent years may have been at the expense of later sales, further dampening the market going forward.

The timing of housing wealth's impact on consumption may have also changed. For example, before the advent of equity lines and cash-out refinancings, housing wealth increases may have affected U.S. consumption mainly by reducing homeowners' need to save for retirement. Since then, such financial innovations have enabled households to spend their equity gains before retirement. It's unclear how much this may be reversed by the 2007 retrenchment in mortgage availability.

Looking Ahead

The rise and fall of nonprime mortgages has taken us into largely uncharted territory. Past behavior, however, suggests that housing markets' adjustment to more realistic lending standards is likely to be prolonged.[9]

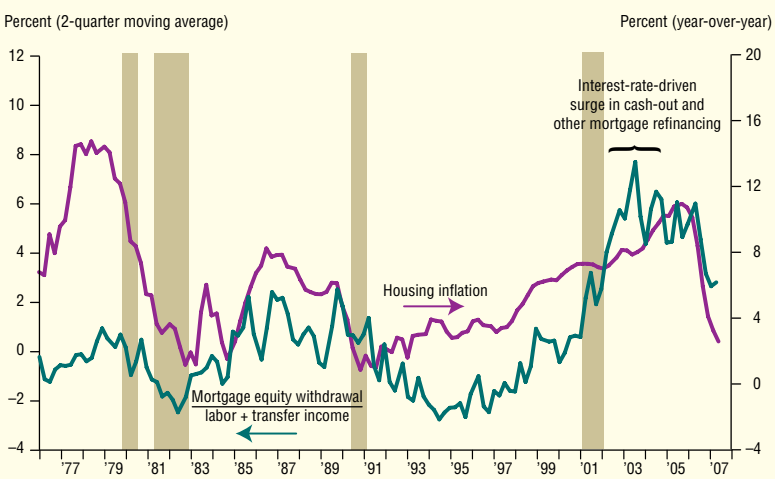
One manifestation of the slow downward adjustment of home prices and construction activity is the mounting level of unsold homes. The muted outlook for home-price appreciation, coupled with the resetting of many nonprime interest rates, suggests foreclosures will increase for some time.

The sharp reversal of trends in home-price appreciation will also dampen consumer spending growth, an effect that may worsen if the pullback in mortgage availability limits people's ability to borrow against their homes.

Although recent financial market turmoil will likely add to the housing slowdown, there are mitigating factors.

Chart 7

Mortgage Equity Withdrawals Increasingly Move with Housing Inflation and Mortgage Refinancings



NOTE: Shaded areas indicate recession.

SOURCES: Freddie Mac; Bureau of Economic Analysis; Federal Reserve, flow of funds data; authors' calculations.

First, the effect of slower home-price gains on consumer spending is likely to be drawn out, giving monetary policy time to adjust if necessary.

Second, the Federal Reserve has been successful in slowing core inflation while maintaining economic growth. This gives policymakers inflation-fighting credibility, which enables them to coax down market interest rates should the economy need stimulus.

Third, even if the tightening of mortgage credit standards undesirably slows aggregate demand, monetary policy could still, if need be, help offset the overall effect by stimulating the economy via lower interest rates. This would bolster net exports and business investment and help cushion the impact of higher risk premiums on the costs of financing for firms and households.[10]

DiMartino is an economics writer and Duca a vice president and senior policy advisor in the Research Department of the Federal Reserve Bank of Dallas.

Notes

The authors thank Jessica Renier for research assistance.

[1] See "The Subprime Slump and the Housing Market," by Andrew Tilton, *US Economics Analyst*, Goldman Sachs, Feb. 23, 2007, pp. 4–6. Securitized mortgages account for roughly 70 to 75 percent of outstanding, first-lien U.S. residential mortgages, according to estimates in "Mortgage Liquidity du Jour: Underestimated No More," Credit Suisse, March 13, 2007, p. 28.

[2] See, for example, Federal Reserve Chairman Ben Bernanke's remarks, "Housing, Housing Finance, and Monetary Policy," at the Federal Reserve Bank of Kansas City's Economic Symposium, Jackson Hole, Wyo., Aug. 31, 2007.

[3] Part of the reason lenders eased credit standards was that they planned to sell, rather than hold, the mortgages. The earlier easing of standards may have partly owed to the potential moral hazard entailed when nonconforming loans are originated with the intent to fully sell them to investors. Bernanke discusses this in his remarks at the 2007 Jackson Hole symposium (note 2).

[4] The figures are for securitized mortgages. See "Mortgage Liquidity du Jour" (note 1).

[5] "Making Sense of the U.S. Housing Slowdown," by John Duca, Federal Reserve Bank of Dallas *Economic Letter*, November 2006.

[6] See "How Large Is the Housing Wealth Effect? A New Approach," by Christopher D. Carroll, Misuzu Otsuka and Jirka Slacalek, National Bureau of Economic Research Working Paper no. 12746, December 2006; and "Housing, Credit and Consumer Expenditure," by John Muellbauer, paper presented at the Federal Reserve Bank of Kansas City's Economic Symposium, Jackson Hole, Wyo., Aug. 31–Sept. 1, 2007. Also see "Booms and Busts in the UK Housing Market," by John Muellbauer and Anthony Murphy, *Economic Journal*, vol. 107, November 1997, pp. 1701–27; and "House Prices, Consumption, and Monetary Policy: A Financial Accelerator Approach," by Kosuke Aoki, James Proudman and Gertjan Vlieghe, *Journal of Financial Intermediation*, vol. 13, October 2004, pp. 414–35.

[7] "Estimates of Home Mortgage Originations, Repayments, and Debt on One-to-Four-Family Residences," by Alan Greenspan and James Kennedy, Finance and Economics Discussion Series Working Paper no. 2005-41, Board of Governors of the Federal Reserve System, September 2005; and "Mutual Funds and the Evolving Long-Run Effects of Stock Wealth on U.S. Consumption," by John V. Duca, *Journal of Economics and Business*, vol. 58, May/June 2006, pp. 202–21.

[8] This is a possibility to which Muellbauer (2007, note 6) alludes.

[9] See Duca (note 5).

[10] For a discussion of the channels of monetary policy, see "Aggregate Disturbances, Monetary Policy, and the Macroeconomy: The FRB/US Perspective," by David Reifschneider, Robert Tetlow and John Williams, *Federal Reserve Bulletin*, January 1999, pp. 1–19.

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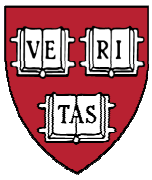

MEASURING THE NATION'S RENTAL HOUSING AFFORDABILITY PROBLEMS

Prepared by Eric S. Belsky, Jack Goodman, and Rachel Drew

JOINT CENTER FOR HOUSING STUDIES
HARVARD UNIVERSITY

June 2005

Measuring the Nation's Rental Housing Affordability Problems

This report was prepared for the Joint Center for Housing Studies' Rental Dynamics Initiative, supported by the MacArthur Foundation. Principal authors of the report are Eric S. Belsky, Jack Goodman and Rachel Drew.

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In the spring of 2004, the authors convened a focus session of key individuals in the academic, policy, advocacy and development fields that have studied housing affordability issues. This session examined the issues raised in this report, and fostered a discussion of current measures of rental affordability, their strengths and weaknesses, and opportunities for improving upon those measures. The authors wish to thank the participants in the focus session for their input and participation: Marty Abravenel, Bill Apgar, Bob Avery, Amy Bogdon, Don Bradley, Chip Case, Denise DiPasquale, Cushing Dolbeare, Tony Downs, Paul Emrath, Dan Garcia, Richard Green, David Hardiman, Joe Harkness, Jill Khadduri, Barbara Lipman, George McCarthy, Sandra Newman, Mark Obrinsky, Ed Olsen, Danilo Pelletiere, Erika Poethig, Bob Reid, Dave Rodda, Ann Schnare, and David Vandenbroucke. The authors would also like to thank Kathy Nelson for her comments on an earlier draft of the report.

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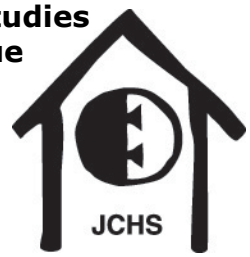

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GLOSSARY

ACS – American Community Survey
AHS – American Housing Survey
CES – Consumer Expenditure Survey
CHP – Center for Housing Policy
CPI – Consumer Price Index
CPS – Current Population Survey
EITC – Earned Income Tax Credit
FMR – Fair Market Rent
HUD – Department of Housing and Urban Development
NLIHC – National Low Income Housing Coalition
PSID – Panel Survey of Income Dynamics
RFS – Residential Finance Survey

EXECUTIVE SUMMARY

Difficulty affording housing is widely acknowledged as the most common housing problem in the United States. No matter how one chooses to measure the problem, it is clearly widespread and growing worse among the lowest income renters. But how one conceives of and measures housing affordability matters to policy making as well as public perceptions of the scope and nature of the problem.

Defining housing affordability problems is complicated and entails subjective judgments. For example, should households that spend a small fraction of their income on housing but that live in a substandard home or in an unsafe neighborhood or at great distances from their jobs be construed as having affordability problems? If so, then which such households ought to be counted? Should households with moderate incomes who spend so much on housing that they have too little leftover to save and invest be viewed as having an affordability problem? Should a low- or moderate-income household that spends a large share of their income on housing to live in an affluent neighborhood be viewed as having an affordability problem or as having just made a choice to spend more on housing? Indeed, distinguishing between who is allocating large shares of income to housing or taking long commutes out of choice and who is doing so out of necessity is a bedeviling task.

Standard measures of affordability do not engage with these issues. Importantly, standard measures fail to take into account tradeoffs that people make to lower housing costs. These tradeoffs include housing quality, neighborhood quality, and location. Making these tradeoffs can impose other costs on households. These added costs are not now captured by the simple approach of measuring only the share of income households spend on their housing. Counting a portion of those who incur such costs would *add* to counts of the number of households with housing affordability problems. For example, households in the bottom expenditure quartile that spend 30 percent or less on housing spend on average $100 more on transportation than those that allocate over half their outlays to housing. Should this $100 tradeoff get added back to housing costs when estimating who is spending more than a certain amount on housing? Should the time value of longer commutes get added in as well? Creating measures that capture such tradeoffs is possible but will require considerable research and debate over appropriate methods.

This paper explores the challenges of conceptualizing and measuring rental affordability for the purposes of formulating public policy. The strengths and weaknesses of the standard definitions of affordability are examined, suggestions for improving them are made, and reasons for differences in estimates using apparently the same definitions of affordability are explained. Given differences in estimates and

criticisms of how incomes are measured and defined in developing rental affordability measures, stylized conclusions about rental affordability problems are presented that are robust to differences in datasets used, decisions made about how to treat special cases, and decisions made upon how to define income and rents.

Conventional Measures of Housing Affordability

The standard practice is to count any household that spends more than 30 percent of its pre-tax income on housing as having an affordability problem. By convention, housing is considered "affordable" to a household if the rent (including utilities) is no more than 30 percent of its pre-tax income. Households spending more than 30 percent are labeled cost burdened and those spending more than 50 percent are labeled severely cost burdened.

This way of measuring housing affordability—in terms of the share of income spent on housing—has come to shape our collective views of how serious, how widespread, and for whom housing affordability is a problem. Most now unquestioningly use these standards and construe housing affordability as beginning and ending with how large housing costs are as a fraction of household incomes.

There are several variations on the conventional share of income approach. In one, the number of households with incomes at or below a certain level is compared to the number of housing units with costs that are 30 percent or less of that level. The gap between the two is used as a measure of the adequacy of the affordable housing supply. In another, pioneered by the National Low Income Housing Coalition, the amount of income a household would need to be able to afford a federally defined "Fair Market Rent"—the rent of a modest rental—at 30 percent of income is used as a yardstick of the gap between the "housing" wage necessary to afford it and the lower wages that workers often earn. Though different in the information each measure conveys, each derives from the same basic premise: when a household spends more than 30 percent of income on housing it is unaffordable and if it spends more than 50 percent it constitutes a serious cost burden.

Certainly these measures have intuitive appeal. They are simple to understand and easy to compute. Using federal survey data, these measures can be used to draw conclusions about the nature and distribution of housing affordability problems among households at the regional level every two years and down to the detailed place level every 10 years with tolerable margins of sampling error. Starting in 2001, it is now possible to examine affordability patterns with significant geographic detail annually using the American

Community Survey (ACS). It is for these reasons that the share of income approach — now almost always tied to the 30 percent and 50 percent standards—dominates the public discourse over housing affordability.

With a few elaborations, Congress has used this concept to target assistance and gauge the magnitude of housing problems. To target assistance and focus attention on those with the worst needs, only renter households with incomes up to half of area medians with housing affordability problems are counted. To address the fact that some households spend less but instead live in crowded conditions or physically inadequate units, Congress counts households with these problems, as well as those with severe cost burdens, as having "worst case housing needs."

Why Estimates Based on These Measures Vary

Even if the share of income approach is accepted uncritically as the right way to measure rental affordability for policy purposes, and the 30 percent standard is accepted as reasonable, estimates of the size of the problem will vary as a result of choices that analysts must inevitably make to produce these estimates. These include selection of purchasing power and housing costs measures, whether or not to adjust for income underreporting or simulate after-tax incomes, which to use, how to treat special cases, and how to deflate time series.

In most cases, analysts make similar choices about which measures of purchasing power and housing costs to use. These are reported pre-tax income and rent plus utilities. Therefore, the primary reasons for differences in estimates have more to do with the selected datasets and the treatment of special cases than how purchasing power and housing costs are measured.

But some have faulted the choice of purchasing power for overstating housing affordability problems, even though it is not clear that if the ideal measure were used—after-tax real income adjusted for income underreporting—the incidence of problems would be less overall. This is because: 1) income underreporting is greatest for investment income and it is concentrated among the wealthy; and 2) most moderate and middle-income households have higher pretax tax than after tax incomes. The exception is some low-income households that receive earned income tax credits (EITC) for working.

What Conventional Measures Tell Us about Rental Affordability

Although estimates of rental housing affordability problems using the same definition differ as a result of underlying assumptions and datasets used, it is possible to extract stylized facts about the patterns and trends in rental housing affordability. The following conclusions can be drawn with some confidence about the national scope of the problem and its distribution by income, using reported pre-tax incomes and gross rents as the variables used to calculate affordability. These are not intended to be inclusive but instead to illustrate some of the broad conclusions that can be drawn from existing measures.

- As conventionally defined, at least one-in-three renter households are moderately cost burdened and about one-in-five are severely cost burdened.

- Irrespective of the dataset used, renters in the bottom quintiles account for at least 85 percent of severely cost burdened renters. Including the impact of the EITC does not significantly reduce the measured concentration of the problem among those with low incomes.

- Both the American Housing Survey (AHS) and Census/ACS show growth in the share of cost burdened renters in the bottom household income quintile over the 1990s. The Census/ACS shows even more significant growth in this share since 1960—rising from six in 10 of these households to eight in 10 by 2000 (Quigley and Raphael 2004).

- The number of rentals with gross rents of $400 or less (in constant 2003 dollars) declined by 1.2 million between 1993 and 2003.

- The share of rentals affordable at the median income of renters in the bottom fifth of the household income distribution has been declining steadily. Quigley and Raphael (2004) found that the share of units affordable to these households fell from 15 percent in 1980 to 12 percent in 1990 to 7 percent in 2000. Yet, the share of renter households in the bottom household income quintile has remained steady at 32-33 percent.

- The Department of Housing and Urban Development's (HUD) estimate of the gap between the number of extremely-low-income households and the number of rentals affordable to them was 1.8 million in 1999. The mismatch is even larger when units affordable and available to them are

considered (that is, affordable rentals that are not already occupied by higher income households). That gap stood at 4.9 million in 1999.

- According to the National Low Income Housing Coalition (NLIHC), it takes more than 30 percent of full-time minimum wage earnings to cover the FMR of a modest two-bedroom apartment everywhere in the country.

- According to the Center for Housing Policy (CHP), the number of working families (those with incomes between the equivalent of full-time minimum wage work and 120 percent of area medians) with severe cost burdens increased by 60 percent from 1997 to 2001, and other evidence suggests further growth since then.

Given the robustness of such conclusions, it can be argued that public discourse about how much of the government's scarce resources to allocate to rental housing assistance and how to target it are reasonably well served by our conventional measures. Deviations in precise estimates notwithstanding, millions of households are effected, and the poor predictably suffer most. Certainly, the statistics convey a sense of how widespread and serious the housing affordability problems facing the nation have become.

Limitations of Conventional Measures

While simple to understand and relatively easy to calculate, the conventional approach nevertheless has several drawbacks. It likely results in *undercounting* problems and it glosses over difficult decisions about how to define and measure affordability that warrant greater public debate.

In addition to inevitable problems that stem from measurement errors in the datasets utilized to make estimates, the approach fails to take into account not just *how much people spend* on housing but *what they get in return* for it in terms of neighborhood and housing quality as well as in terms of proximity to jobs and shopping.

- *Focusing exclusively on housing costs as a share of income fails to take into account tradeoffs households can and do make to lower housing costs but that add to other costs.* These tradeoffs include taking longer commutes and living in poor quality housing, distressed neighborhoods, or crowded conditions. As a result, households that take longer commutes, double up, or live in poorer quality housing or neighborhoods to escape spending more than 30 percent or more of their income

on housing are not counted as having affordability problems. Although the worst case needs approach does recognize that living in crowded and physically inadequate housing also constitutes a problem, it does not count people living under these conditions as having affordability problems and it ignores neighborhood quality problems and higher commuting costs altogether.

- *Failure to consider when spending large shares of income on housing is more of a choice rather than a necessity dodges debate over what is minimally acceptable housing.* Some households choose to spend more on housing because they value it more. Judging when a household is spending more by choice or because they must requires subjectively defined standards of minimally acceptable housing.

- *Failure to capture housing quality changes and the changing characteristics of the supply and demand for lower cost rentals leaves important policy questions unanswered.* Existing measures do not get at the extent to which changes in rental affordability over time reflect changes in the quality of housing rather than differences in the rate of increase in rents of housing of constant quality relative to the changing incomes of the households that typically occupy these constant quality units. These measures also do not speak to how the supply of basic rentals is changing relative to the demand for them.

- *The uncritical acceptance of the 30 and 50 percent of income thresholds as the standard for measuring housing affordability problems has substituted for a debate over what ought to be viewed as an unacceptably high housing cost for households of different incomes.* While most would agree that those for whom housing cost burdens leave them too little leftover to meet basic needs have housing problems worthy of government action, it is far less clear if moderate-income households who have too little leftover to save for retirement, education and security should be construed as having a housing affordability problem.

Together, these shortcomings have hobbled the more complete analysis and measurement of rental housing affordability. Additional measures and more open public debate over the proper standards to distinguish affordable from unaffordable housing situations are indicated.

Overcoming the Limitations of the Conventional Measures

Overcoming these limitations requires developing measures that control for the price and quality of housing. It also means more actively engaging in debates about how much income leftover after meeting

housing cost (which perhaps should also include all or some fraction of transportation costs) is sufficient at different income levels given social standards.

To advance our understanding of rental affordability, the following steps are therefore indicated:

- Create constant quality rent indices and constant income indices to: 1) examine changes in rents and incomes of criterion housing and households; and 2) explore possible differences in the implicit prices paid for housing and neighborhood quality among racial and ethnic groups.

- Explore alternative definitions of minimally adequate housing, based on housing *and* neighborhood quality, and changes in the supply of such housing.

- Develop agreed upon methods to add some portion of the costs of tradeoffs made to lower gross rents into housing costs when calculating affordability problems, including transportation costs and housing and neighborhood quality costs

- Combine information from multiple datasets by using improved methods for imputing values in one based on values in another.

- Add or improve questions on housing costs and incomes in existing household and housing unit surveys.

Conclusion

Difficult choices about what measures to use, how to construct them, and how to interpret them are inherent in the concept of rental affordability. Measures of rental affordability are too important to go unexamined, however, and the proper yardsticks for judging when a rent payment is unaffordable, and to whom, are too politically charged and important not to be aired and argued over. The hope is that this paper sparks a more thoughtful debate and discussion of what yardsticks to use, and for whom, and what measures to use for what purposes.

INTRODUCTION

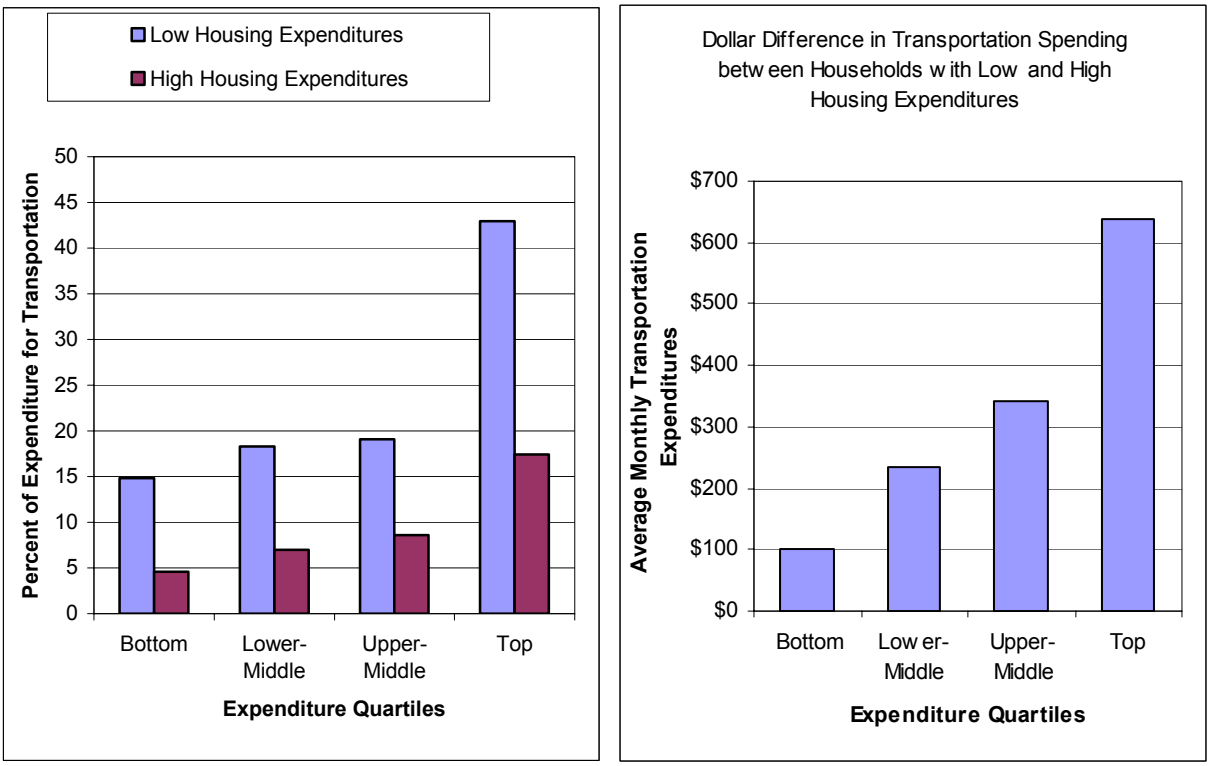
It is taken as fact by nearly all housing policy analysts that the most common housing problem facing Americans is the gap between what people can comfortably pay for housing and what it costs. Many federal, state, and local housing policies and programs over the last century have been aimed at reducing the amount of income that households, especially low-income renters, must devote to rent. In their infancy at the start of the 20th century, housing policy and programs were aimed primarily at tackling housing adequacy problems. But by the end of the century the focus had shifted decisively towards reducing the housing cost burdens of poor renters.

More recently, the impact of tradeoffs that households may be making to secure housing they can afford has begun to receive more attention (CHP 2005; Downs 2004; Levine 1999; Glaeser and Kahn 2003). In particular, the impact of longer commutes taken to lower housing costs has been studied. These long commutes are seen as reducing worker productivity, reducing regional economic competitiveness, and forcing households to substitute less family time and higher transportation costs for lower housing costs. Many believe the increase in the share of workers with long commutes is at least partially generated by low- and moderate-income households driving long distances to lower their housing costs. Indeed, the number of workers with commutes of an hour or more increased by 3.1 million in the 1990s alone.

The importance of housing affordability problems becomes obvious when one considers the large share of income that households in general and renters in particular devote to housing. The Consumer Expenditure Survey (CES) finds that housing (including utility payments) is by far the largest household expenditure. On an aggregate basis, 33 percent of household expenditures are for housing and among renters 35 percent. Distant second and third for renters are transportation at 19 percent and food at 15 percent. Furthermore, because the amount spent on transportation is so closely tied to where people choose to live there is an intimate connection between housing and transportation costs. In fact, among those in the lowest expenditure quartile, the difference in the average monthly transportation costs of those with housing outlays of less than 30 percent are fully $100 dollars higher than those with housing outlays of more than 50 percent (Exhibit 1). That $100 is equal to one-tenth of the average budget of these households. Among those in the lower-middle expenditure quartile, the difference in transportation costs amounts to an even larger 12 percent of average budgets. All-in, housing and related expenses are a remarkably large share of the typical household's budget, and for many it creates enormous strains.

Exhibit 1:

Housing and Transportation Cost Tradeoffs



Notes: Expenditure quartiles are equal fourths of all households sorted by total monthly expenditures. Low housing expenditures are defined as 30% or less of total, and high housing expenditures are defined as more than 50%.
Source: JCHS tabulations of the 2003 Consumer Expenditure Survey.

For these reasons, it is important to properly and rigorously measure not only how many households have difficulty swinging their rent payments but how these households are geographically distributed and whether the numbers or shares of such households are growing or shrinking. It is also important to know how the problems affording rental housing are distributed by income, race, family type, age and other demographic characteristics.

Interest is also keen in determining whether supply responses are adequate to meet market demand for lower cost housing absent a subsidy. Therefore it is also important to be able to measure the gap between the supply of "affordable" rental housing and the demand for it. Furthermore, it is important to determine whether rents and incomes are changing at different rates with respect to each other at different points in the distributions of each.

Despite the importance of having rigorous measures of rental housing affordability that are clearly understood by the public and policy makers, the most commonly used rental housing affordability

measures are more imprecise, limiting, and based on the application of weakly scrutinized normative standards than most people realize. In addition, even a simple share of income spent on housing approach to defining affordability is challenging to implement despite its apparent directness. It also fails to address several aspects of an ideal rental affordability measure. An ideal measure would distinguish between changes in affordability that relate to changes in the price of housing and those that relate to changes in its quality. It would account for tradeoffs that lower housing costs but add to other costs, such as transportation (as a result of long commutes) or inferior access to public services, health, and safety (as a result of lower quality housing and neighborhoods).

Equally troubling, even the ostensibly same measures can yield very different conclusions about the magnitude, distribution, and change in rental housing affordability depending on which measures of rental costs and household purchasing power are selected, and which particular assumptions are made about how to treat difficult to manage cases such as households that do not pay rent or that report zero or negative incomes.

Finally, conclusions may be different for households in different positions in the income distribution. Hence, summary averages like means and medians can be quite misleading with respect to what is occurring at points above and below them.

Ultimately, measurement of rental affordability conditions and trends requires subjective judgments and operational choices that influence the apparent magnitude, distribution, and sometimes even trend of affordability problems. Though these choices may be made on technical grounds and for logical reasons, they have enormous political implications because affordability measures drive program and policy decisions. While taking measures in the new analytical directions recommended here will add important and new insights on rental affordability, they too cannot escape the many decisions and concessions that must be made to cope with incomplete and imperfect data.

This paper inspects the concept of rental housing affordability and how it is measured. Its purpose is to lay bare the normative and empirical judgments that drive estimates and to enlarge the vision of what constitutes a problem with rental housing affordability. To that end, the strengths and weaknesses of different measures and why different measures may lead to different conclusions are pointed out. Differences in precise estimates notwithstanding, existing measure do allow important broad conclusions about rental housing affordability problems in the United States to be reached and some of the most important of these are pointed out. Lastly, the paper outlines the ways that existing measures can be

broadened The hope is that this paper sparks a more thoughtful debate and discussion of what methods to use for what purposes, and alerts policy makers and analysts to the limits of the methods they now rely upon to draw conclusions and develop strategies to address affordability problems.

CONVENTIONAL MEASURES OF HOUSING AFFORDABILITY

Housing affordability is usually measured in terms of the share of income that a household spends on its housing. Households allocating above some share of income are classified as having a housing affordability problem while the rest are not. The standard threshold is 30 percent of income spent on housing, including utilities. Above this ratio, households are often referred to as suffering from "housing cost burdens." It has also become common to refer to those households spending more than half their income on housing as "severely" or "seriously" cost burdened.

The precedent for this approach lies in federal housing policy. In 1968, Congress elected to require residents of public housing to pay 25 percent of their income for rent plus utilities. The standard was increased to 30 percent in 1981 when Congress decided to reduce discretionary spending on public housing, Section 8, voucher, and other housing programs. Later on, the share of income approach was applied to non-subsidized households to identify those with housing cost burdens, using the 30 percent benchmark. Today, HUD uses the 30 and 50 percent benchmarks in its evaluation of households with "worst case needs." HUD counts only renter households with very-low incomes (defined as 50 percent or less or area median income with special adjustments made by HUD) with cost burdens or living in crowded or seriously inadequate conditions as having worst case needs. But the 30 percent and 50 percent thresholds are now applied to owners and renters of all incomes by many policy analysts to measure the overall extent of housing affordability problems. Hence, the standard threshold for sorting households by affordability and cost burdens has its roots in political and budgetary considerations of low-income housing policy.

The primary benefits of the cost-to-income ratio are that: 1) it is simple to calculate and understand, 2) it is based on readily available data, 3) it can be applied across a range of places, to track changes over time and to explore differences in these ratios across households; and 4) it is very direct in that it measures actual outlays of households relative to their actual incomes. Only two inputs – income and housing cost – are needed to calculate the ratio. The AHS releases this information on a national level every two years and for certain metro areas every 4-6 years. The Decennial Census allows for analysis at lower levels of geography every 10 years, while more recently the ACS allows annually for geographically detailed estimates.

Supply-Based Variations

There are a number of variations on the share of income approach. Among the more common are: 1) the supply-demand mismatch approach; 2) the housing wage approach; and 3) the median ratios comparison approach.

In the mismatch approach, the number of households with incomes at or below a particular level is compared with the number of rentals with rents that are affordable at 30 percent of the threshold income. Typically, adjustments are made for household size and number of bedrooms by allowing the threshold incomes to vary with household size and threshold rents to vary with number of bedrooms (see Nelson 1994 and the Millennial Housing Commission 2002 for examples). The difference between the number of households at or below the adjusted income thresholds and the number of rentals at or below the adjusted rent thresholds is considered a measure of the mismatch between the supply and demand for affordable housing.[1] An extension of this "mismatch" approach subtracts units that are affordable but occupied by higher income households because they are not available for occupancy by households with incomes below the threshold. Typical thresholds are some fraction or area median family income (often 30, 50, 80, and 120 percent), income quartiles or quintiles, or some multiple of the minimum wage.

Although most users take these measures to be an accurate reflection of the gap between units supplied and demanded, such measures are more easily misinterpreted than measures of the share of households reporting rent burdens. First, the approach implicitly assumes that rentals affordable at 30 percent of income are considered affordable by all those who might rent them. But in fact, the average amount that households spend on housing is closer to 20 percent than 30 percent. Preferences clearly are part of the reason why many households occupy units that appear either expensive or inexpensive relative to their income. Hence, ascribing "affordability" to a rental unit based on an absolute threshold is problematic. Second, the approach implies that all the units below an income threshold are affordable to all households

[1]The application of this approach is most easily illustrated by an example. As HUD has used the approach, for example, the household income associated with earning 50 percent of the HUD adjusted median family income (HAMFI) is multiplied by 0.3 to arrive at the annual rent that a household with exactly 50 percent of HAMFI in each metropolitan area can "afford". This figure is then divided by 12 to arrive at a monthly rent. The number of units renting at or below that level as reported by the households that occupy by them or estimated by a survey taker based on information supplied by neighbors are then counted. In practice, HUD adjusts the rent threshold for number of bedrooms because it adjusts its income thresholds for the number of persons in a household. This gives at least the appearance of equating rentals with the incomes of the households most likely to live in them. This same process is repeated for other slices of the income and rent distributions—for instance, comparing the number of households with incomes between 50 and 80 percent of HAMFI adjusted for household size to the number of rental units adjusted for bedroom size with rents that fall between 30 percent of the 50 percent and 80 percent income cutoffs.

below those thresholds. But rents and incomes are unevenly distributed beneath these thresholds. A household with an income well under the threshold by definition cannot afford, at 30 percent of income, rents at the top of the rent threshold. Third, and even more potentially misleading, the measure does not take account of where "affordable" rentals are located and whether these align with where households that might "demand" them want to live. Fourth, as one moves up the income distribution, results are harder to interpret meaningfully. What does it mean, for example, to find a gap between the number of rentals "affordable" to households earning between 80 and 100 percent of area medians and the number of these households when they can, by definition, afford all the rentals below the lower threshold cutoff? All these problems render gap measures the most abstract and hard to interpret of the commonly used affordability measures, despite the fact that they seem such direct measures of supply-demand mismatches.

In the housing wage approach, the rent of a standard, modest quality rental with either 1 or 2 bedrooms in an area is compared to the multiples of full-time minimum wage work it would take to afford (at 30 percent of income) that apartment (NLIHC 2003). The rent standard commonly used is HUD's fair market rent (FMR). This standard is typically the 40th percentile rent of recently rented apartments within an entire metropolitan area or of non-metropolitan areas of a state. It is estimated using a random-digit dialing survey. Although the method used to calculate the FMR has been criticized as imprecise, and policy overrides sometime result in pegging the FMR to higher percentiles of the rent distribution, this approach has gained considerable traction in policy circles. It is a simple way to convey what turns out to be a consistent problem across all measured geographies – in every metro areas it takes more than one full-time minimum wage job to afford a unit somewhat below the middle of the rent distribution.

In the median ratios comparison approach, a ratio is formed between the rent at some point in a rent distribution and the corresponding point in an income distribution (see Goodman, 2001). For instance, the median rent in a metropolitan area is compared to the median household income in the same metropolitan area. In this example, the share of income that the median household would have to spend to rent a median rental is used as a measure of how unaffordable the housing stock is in a particular market to households in that market. It is like the other two stock approaches in that it takes a criterion household and compares it to a criterion rent instead of observing what individuals households are actually spending for their housing. It therefore also deals in the hypothetical. Further, median and average comparisons can understate the magnitude and rate of change of problems in the lower parts of the income and rent distributions where problems are concentrated and troubles mounting fastest.

Residual Income Approaches

Finally, some have tried to focus on the absolute amount leftover after housing expenses, rather than the share of income allocated to housing, to identify affordability problems. This approach was initially developed by Stone (1993) and further elaborated by Nelson and Redburn (1994). They argue that households with too little left over to meet basic needs ought to be classified as "shelter poor." This approach has appeal from a policy perspective because it hones in on the proportion of households most harmed by high housing costs. Still, it has shortcomings that Stone acknowledges, such as potentially understating the affordability problems of larger households and those with children, who may face additional necessary expenses. In Kutty's (2005) recent application of this method, the author compares her approach and results to the official "Orshansky" poverty estimates and finds that her measure results in higher counts of poor households than the official poverty estimates. She also finds that those poor by her measure are not always those poor by the official measure.

Policy Applications

Many organizations and individual policy analysts have used the common approaches to quantify and highlight the state of affordability problems over time, across locations, and within subsets of the population. The most detailed investigations of rental housing affordability over the past 10 years have been conducted by HUD. Their flagship "Worst Case Needs" series has provided periodic updates on housing conditions facing renters. Recent updates of Worst Case Needs reports have used both the share of income and mismatch approaches. In fact, these reports have been instrumental in spreading the popularity of the mismatch approach to measuring the adequacy of the supply of affordable rental housing.

Some advocacy groups use similar approaches to the HUD Worst Case Needs analysis. NLIHC also evaluates affordability as it impacts the lowest income households. As noted above, its annual "Out of Reach" publication developed and uses the housing wage approach. As described by NLIHC, "For each jurisdiction, the report calculates the amount of money a household must earn in order to afford a rental unit of a range of sizes (0, 1, 2, 3, and 4 bedrooms) at the area's FMR, based on the generally accepted affordability standard of paying no more than 30% of income for housing costs. From these calculations the hourly wage a worker must earn to afford the FMR for a two bedroom home is derived. This figure is the Housing Wage." The Out of Reach report also provides comparisons of the annual equivalent of the housing wage to the local area's AMI as estimated from HUD. The results of these tabulations are then

used to rank states, metro areas, and counties by their affordability. From time to time the NLIHC also issues reports that use the standard share of income and mismatch approaches. An innovation NLIHC helped to popularize was to extend the mismatch approach to consider units both affordable and available given the number of affordable rentals crowded out by households spending less than 30 percent of their income.

CHP takes a slightly different approach. It broadens the scope of its analysis of affordability problems by including moderate-income working households that have housing cost burdens. During the past few years, CHP has issued several studies tracking housing conditions, with an emphasis on "working families" – defined as households with wage income greater than full-time minimum wage but with total income less than 120 percent of AMI. Other recent publications have focused on immigrants' housing and on differences in housing conditions across metro areas. The topical coverage and research approach are similar to the HUD's Worst Case Needs report, though CHP also investigates homeownership affordability and trends in homeownership rates. The AHS is the principal source of data, used by CHP just as by HUD. Most recently, CHP commissioned the Economic Policy Institute to examine the transportation-housing cost tradeoffs that households make to afford housing and implications of making those tradeoffs for working families as they define them (CHP 2005).

In addition to the advocacy groups just described, many research organizations evaluate rental affordability trends, though more to inform than to further an agenda of prompting policy responses. Among them is Harvard University's Joint Center for Housing Studies, whose flagship publication is its annual State of the Nation's Housing report. Analyses of rental affordability in the report have been approached in various ways over the years. In some years, the report has placed greater emphasis on the affordability problems of lowest income households, measured by income quintiles, quartiles, or by multiples of minimum wage earned. In other years, the report has looked more closely at how affordability problems are creeping up the income scale to moderate and middle-income households. Other times, the publication has looked at the proportion of workers in select low-wage occupations spending more than 30 percent of their household income on their rental housing. Usually, the report tracks changes in these conditions over time. Like HUD, it primarily uses the AHS, though it has recently used the ACS, as has NLHIC. In recent years, the report has highlighted how little households with large housing expenses have leftover to spend on other items relative to those with smaller housing expenses. And most recently, the report examined how much more those with high housing outlays spend on transportation relative to those with low outlay ratios, controlling for household budgets.

The report of the Congressionally-chartered Millennial Housing Commission (2002) discussed the causes, consequences, and policy implications of trends in housing conditions for both owners and renters. The measure of rental housing affordability used in the report is the ratio of gross rent to household income, stratified by the HUD-defined income groups – low income, very-low income, and extremely-low income. Within each income group, the proportion of renters spending more than 30 percent, and more than 50 percent, of their income on housing was estimated, using the national AHS and the exact methods pioneered by HUD used to estimate worst case needs. It also examined trends in the supply-demand mismatch of the various income groups using the measures created by HUD. However, the data series used was more consistent and deflated both rent and income cutoffs consistently over time. This produced some differences from earlier estimates made by HUD.

In addition, a number of papers have been published in scholarly journals on housing affordability. Among the more prominent academic studies is by Lerman & Reeder (1987), which was one of the first to highlight and quantify the importance of using a standardized bundle of housing attributes in affordability analyses. The authors used AHS data to show that rent/income ratios based on actual housing expenses are considerably higher than ratios calculated using the estimated local cost of moderate quality housing meeting the Section 8 program guidelines. Nelson (1994) used the mismatch approach which she pioneered, to point out that subsidized supply programs were creating a surplus of units affordable to low- and moderate- income households, while those households with very or extremely low incomes were being underserved. Other analyses by Nelson evaluated affordability problems relative to federal subsidy allocations and across different metropolitan areas (Nelson and Khadduri 1992, Nelson 2002).

Bogdon and Can (1997) used three different variations of the standard measure of affordability to demonstrate how geographic specification can lead to differences in affordability. Using a metro area, its central city and the balance of its suburban areas, they calculated the proportion of households spending above the 30 percent standard share of income on housing, the number of units affordable to assisted renters, and the supply mismatch in each area.

Another more recent academic study of affordability by Quigley & Raphael (2004) uses micro data from decennial censuses from 1960 to 2000 to track renters' incomes and housing costs by income quintile. The micro data allow rent/income ratios, and the proportion of renters spending more than 30 percent of their income on housing, to be estimated by income quintile for each Census year. These statistics are used in analyzing time series and cross-sectional differences among renters. Also provided are estimates

of the percentage of housing units affordable to renters in different income groups, following the worst case needs approach. The authors also look at time trends in rents and incomes separately and provide estimates of the components of change in the rent income ratios.

Thus, the housing policy field is replete with applications of the common measures. These studies convey the depth of housing affordability problems and have come to shape how policy makers and the public alike perceive of rental affordability challenges.

REASONS ESTIMATES USING THE STANDARD MEASURES VARY

Despite common use of the share of income approach and the 30 percent standard, estimates of the magnitude of housing affordability problems often vary. The reason for this is that while the approach in theory is simple, application of it involves several choices and judgments that shape the outcome of the calculation. Indeed, depending on these choices, affordability measures can be made to tell seemingly conflicting stories about the depth, breadth and change over time of housing affordability problems.

In order to measure affordability, analysts must make operational decisions concerning the measure of rent cost to use, the measure of purchasing power to use, the data source to use, how to treat special cases, which points or band of the income distribution to analyze, and sometimes what index to use to deflate values for time series analysis. Each of these decisions has important implications. In many cases, analysts make similar choices about some of these elements, but different ones in others.

Selection of Housing Cost Measure

One of the two elements in calculating affordability is some measure of housing costs, or the value of the bundle of housing services provided by a specific unit. For renters, cash outlays are typically a good approximation of the economic cost of housing. Important elements of homeowners' costs are not issues for renters: capital gains, tax considerations, transactions costs, and imputed value of time spent on home maintenance. But while the cost measurement task is easier for renters than for owners, a number of decisions must be made in selecting a cost measure for renters, and conclusions about affordability are sensitive to these decisions. As with income, use of housing cost measures is complicated by differences in sources and accuracy in capturing a constant level of housing service.

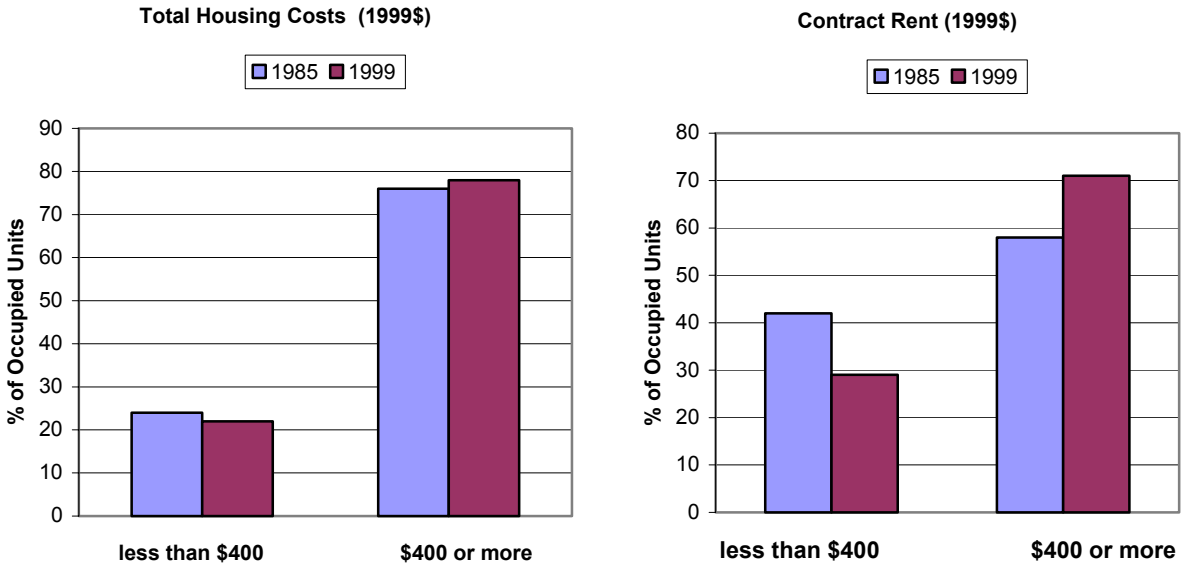
A key choice is whether to use gross rent or contract rent. Measures of gross rent (which includes all utilities payments) and contract rent (the amount paid to the property manager) differ not only in level but also in long-term growth. Level differences are influenced by the fact that contract rents may or may not include utilities while gross rents always do. Thus, gross rents are higher on average and lead to larger counts of cost burdened households than contract rents. Growth differences reflect in part the fact that utilities costs have increased less rapidly than have charges for the rental of space, at least when compared to the mid-1980s. For example, according to the CPI, residential "fuels and utilities" rose only 45 percent between 1985 and 2003, over which period the CPI rent index—a measure based on contract rents—increased 83 percent. In part, growth differences also reflect the fact that utilities have, over time,

become increasingly metered and paid for separately by residents and not included in the monthly rent check. In 1978, for example, 77 percent of renters paid separately for electricity, but by 2001 the figure was up to 84 percent. Contract rent has essentially been redefined over time to include fewer services, and this redefinition by itself should cause contract rent to increase more slowly than gross rent. Hence, the rate of change in the cost to rent space net of utilities probably accelerated even faster than 83 percent. Furthermore, the shifting of utilities to consumers means that they now bear the risks of utility increases more directly.

The choice between contract and gross rent measures makes a big difference in estimation of changes over time not only in median rent, but also at different points in the rent distribution, especially at the low end. By the contract rent measure, between 1985 and 1999 the share of units renting below an inflation-adjusted $400 fell substantially, from 42 percent to 29 percent, indicating a sharp reduction in the share of the stock available to lower income households (Exhibit 2). Yet by the more inclusive gross rent measure, the drop in this market component's share was much less—only 2 percentage points (to 22 percent) in 1999. Furthermore, it means that if the increase in the share of low-cost rentals individually metered were accounted for, the loss of lowest-cost rentals would appear even more dramatic.

Exhibit 2:

Long Term changes in the Rent Distribution: Contrasting Measures



Source: JCHS tabulations of the 1985 and 1999 American Housing Survey.

Contract rent is the preferable measure in studies of the revenues and expenses of property owners and managers. But for most consumer-oriented studies, gross rent is a logical choice. It is a more comprehensive measure of renters' costs and using it ensures that the same housing cost components are included for all renters. That said, netting out utility costs conveys a better sense of how the other factors that drive the rent equation have been changing on net.

Clearly, neither measure takes into account changes in housing quality over time. Hence, these measures do not allow quality and prices changed to be disaggregated. To do so requires a constant quality index. Unfortunately, the federal government does not estimate hedonic rent price indices, even at the national level. The closest it comes to providing a measure of constant-quality rent change is the rent component of the Consumer Price Index (CPI). But this is not a constant-quality index over the longer run because it measures increases by returning to the same unit multiple times over an 18 month period to ask about the rent. Therefore, it is influenced by how the composition of the entire rental stock changes over time as new sampled units roll in and out of the survey. Similarly, HUD produces a Fair-Market Rent (FMR) series at the metropolitan level which estimates rents at a point in the distribution each year. In the short-run quality is reasonably well controlled for (though with some measurement error because each year a

separate random-digit dialed sample is surveyed) but less so over longer periods. Neither measure provides estimates for specified bundles of attributes or for multiple points in the quality distribution.

Selection of Purchasing Power Measure

Calculations of affordability also must include some measure of purchasing power—the resources available to households to devote to their housing costs. Most frequently, current pre-tax income is used as a proxy for purchasing power. Pre-tax current household income has two key attractions as a purchasing power measure. First, it has intuitive appeal as a summary measure of economic well-being. Most people understand the concept. Second, it is routinely collected in surveys and censuses.

However, there are several drawbacks of using current pre-tax income. It does not take into account tax-related additions and subtractions to annual income, nor does it capture non-cash benefits that may add to purchasing power. Household income is not a constant quality measure because it does not control for returns to constant work effort over time. Furthermore, the use of current income cannot distinguish those with chronic poverty problems from those with temporary problems.

The fact that pretax income is not a constant quality measure makes it less the ideal for determining whether housing is becoming more or less affordable. Income is the product of work hours provided and the compensation per hour. The issue is analogous to interpreting housing expenditures, which are the product of amount of housing consumed and the price at which housing is available at that time, place, and quality level. Larger households have greater needs for spending on necessities, and they also often have more workers. Over time, average household size has been declining (from 3.1 persons in 1970 to 2.6 in 2000), although the number of workers per household has held steady or edged up. Lastly, hours worked per week have declined, for private sector production workers from 37.0 hours in 1970 to 33.7 in 2003.

For some affordability analyses, it is appropriate to control for these sources of differences in household incomes and to stipulate representative households by source of income just as true constant-quality measures on specific housing bundles stipulate representative housing units. The purest form of a constant work effort, constant household composition measure of purchasing power is average hourly compensation, although that measure is not appropriate for all uses.

Additionally, while current income measures the number of renter households with housing problems at a point in time it is a poor proxy for the number of renter households with chronic housing affordability problems. This is because household incomes are surprisingly volatile. In particular, extreme incomes – either low or high – are often transitory. The Panel Study of Income Dynamics (PSID) is a source of estimates of annual income for households that are followed and re-interviewed annually. The PSID evidence suggests that affordability measures based on current incomes may overstate the number of households with long-run affordability issues. Direct evidence supporting this conclusion is provided by recent research (Hill, 2003), which found that, of very low-income renters with a severe rent burden in one year, over a seven year period the severe rent burden was observed in only 2.6 years on average. While changes in both housing costs and incomes contributed to changes in the burden over the seven years, income changes "played a somewhat stronger role" (Hill, 2003, p.5).[2]

In the final analysis, current pre-tax income falls short of the mark but is a concession to the difficulty in adjusting income for taxes and non-cash benefits. For measures of the current number of cost burdened households the ideal measure of purchasing power is after-tax, after-benefit income. Adjustments can be made but these involve many assumptions and add measurement error. For explorations of chronic problems the ideal measure is permanent income. That measure can entail observing actual incomes and housing cost burdens over time of individual households in a longitudinal like the PSID or estimating it based on the education level and occupation of earners in the household. Available data limit the use of the direct method of identifying chronic problems, however, because these data are not available for enough places, population groups, or time periods to make the direct method usable in practice.

Simulation of after-tax incomes

The use of pre-tax income tends to overstate purchasing power and understate affordability problems for most households. After-tax income is significantly lower than pre-tax income for most households, and thus a preferable measure when calculating housing affordability. Indeed, the Census Bureau estimates that average after-tax incomes are only between 70 and 80 percent as great as average pre-tax gross

[2] The volatility of annual income is a bigger problem than simply misrepresenting the situations of individual households. As the PSID evidence indicates, entire segments of the population can be classified as having problems that are in fact transitory. The PSID also demonstrates "… the characteristics that distinguish those with higher burdens in the cross-section are not always the ones that distinguish those with chronic burdens through time" (Hill, 2003, p. 21). In short, annual income may not only overstate or understate the overall incidence of long-term rent burden (depending on which is greater: the share of households with temporarily high cost burdens or those with temporarily low ones) but also misstates its distribution across segments of the population.

income. But after-tax income is higher for the roughly 20 million lower-income households that are eligible and receive the EITC.

Stegman et al (2004) made an effort to adjust for the EITC in calculations of cost burdens. In addition to finding that estimating the impact of EITC is difficult and prone to error, they found that the impact of including the EITC on counts of worst case housing needs (very low-income household spending more than half their incomes on housing) was modest, reducing them only by 7 percent.

Despite the obvious benefit of adjusting income for taxes, it is rarely done in housing affordability measurements. The primary reason for this is lack of data availability. Pre-tax income is readily available and consistent, so few analysts bother with simulating after-tax adjustments.

Adjustment for suspected income underreporting and non-cash benefits

While use of pre-tax incomes overstates purchasing power, the absence of non-cash benefits, such as food stamps, understates purchasing power and overstates affordability problems. One study that attempted to include the value of non-cash benefits found that inclusion of these benefits resulted in a 25 percent reduction in the ratio of housing costs to income for a typical low-income renter (Koebel and Krishnawamy, 1993). Transfer payments and assistance from family members are also excluded from income estimates.

In addition, income underreporting is widespread among the datasets commonly used for measuring housing affordability, and leads to overstated affordability problems. Chakrabarty (1996) estimated, for example, that the AHS understates aggregate household income by about 14 percent. However, the most underreported elements are incomes from non-employment sources such as investments and trusts, and savings account or pensions. Hence, income underreporting is greatest for higher income households, who have significantly more investment income than others, and for elderly households who rely more on pension and investment income. However, with so many elderly counted among those with the lowest incomes, income underreporting in this group is also sizeable.

Only the Millennial Housing Commission (2002) has made efforts to account for income underreporting and its effects on affordability measurements. Its analysis found that while adjusting incomes upwards for expected underreporting would reduce the absolute magnitude and relative shares of renter households that count as cost burdened, both the magnitude and shares would still be large. In its report, it states:

"The Commission roughly simulated the impact of income undercounts. In one simulation, the Commission adjusted all incomes upward to account for the 14 percent estimated average understatement of income. This reduced the number of worst case needs by 18 percent."[3] The Commission goes on to report that another simulation that involved deleting all renters with incomes of $1,000 or less, with a rent of less than $50, or a rent greater than income, reduced worst case needs estimates by 22-31 percent, depending on the re-weighting procedure used. It concludes, however, that the actual worst case needs probably are closer to reported figures than either of these simulations would suggest.

Selection of Datasets

Yet another major consideration in measuring rental affordability that has profound consequences is which dataset to use. Affordability analyses typically take data from the decennial Census, the AHS, or the Current Population Survey (CPS). Each surveys households and asks questions about housing costs and income. However, variations in how the surveys are conducted, the specific questions asked, and the way data are tabulated result in different estimates of housing affordability.[4]

In measuring income, the U.S. Census Bureau believes the CPS to be the most accurate data source: "Because of its detailed questionnaire and its experienced interviewing staff trained to explain concepts and answer questions, the CPS is a high quality survey and is the source of official national estimates of the levels of income and poverty" (U.S. Census Bureau, 2002). The AHS in particular seems to underestimate income. In comparison to the CPS renter household income estimates for 2001, the AHS for that year significantly overstates the number of households with very-low incomes and understates the number of households in the top income groups. For example, the number of renters with incomes below $10,000 is 18 percent greater in the AHS than the CPS (Exhibit 3). A similar AHS overstatement of very low-income renters was estimated relative to the PSID (Hill, 2003).[5] For renters overall, a comparison of median incomes in 2001 indicates that the AHS understates income by 6 percent relative to the CPS.

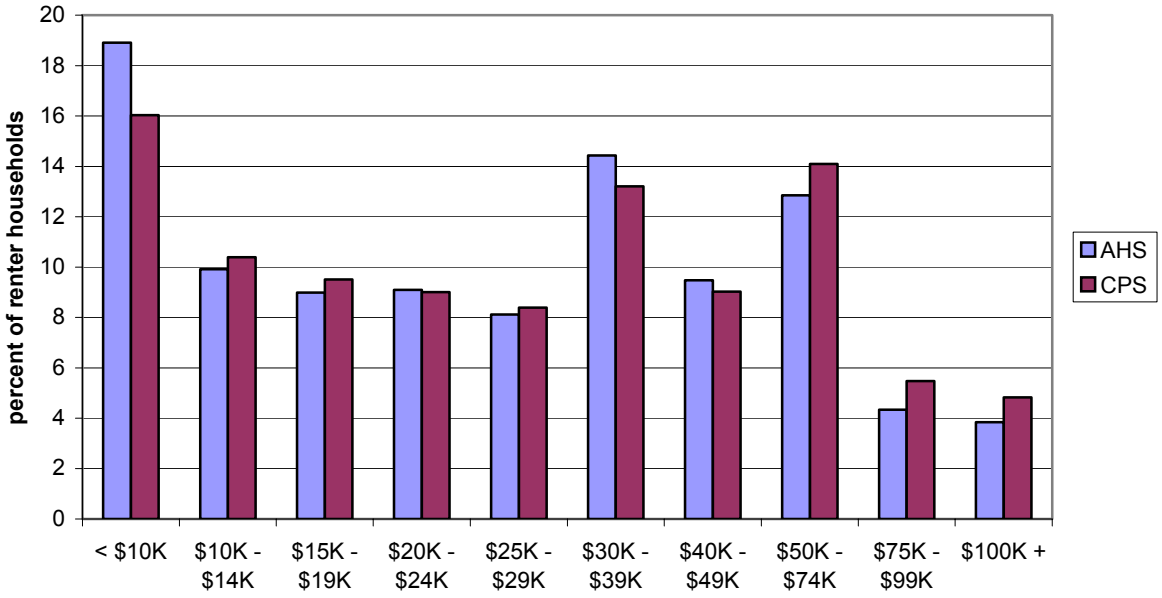
[3] MHC, p. 16

[4] In addition to differences in the ways questions are asked about income and housing costs, differences in design and implementation of the surveys and censuses from which the data are drawn also influence estimates. Although not explicitly discussed in this report, these issues – including discontinuities attributable to redrawn samples, changes in survey methods and designs, changes in survey questions, and re-benchmarking – can have substantial implications for estimates and interpretations regarding rental housing affordability.

[5] Hill (2003) found that AHS homeowners were even more likely than renters to underreport income, because homeowners have more non-labor income than do renters and this form of income is particularly likely to be underreported. Comparisons of AHS and decennial Census incomes by HUD have reached similar conclusions (HUD, 2003, Chapter 4).

Exhibit 3:

Incomes of Renter Households in 2001



Source: JCHS tabulations of the 2001 Current Population Survey and the 2001 American Housing Survey.

The AHS income understatement has significant implications for calculating the number and percent of households below any affordability threshold, as well as the estimated rent/income ratio for renters overall. Comparing against the CPS income figures, for example, the 2001 AHS ratio of median gross rent to median income for cash renters is 0.29. Substituting CPS income for AHS income would reduce that ratio to 0.27. The underestimates have implications also for comparisons across household groups, as Hill (2003, p.21) found that the income understatements in the AHS varied by household type, even controlling for income level. The errors in income measurement in the AHS appear to have grown over time, and this causes errors in estimates of time trends in affordability. The gap between income growth of low-and high income groups is much greater in the AHS versus the CPS (Exhibit 4).

Exhibit 4:

Increase in Median Renter Household Income, 1991-2001

Quintiles	CPS	AHS
Bottom	38.4	20.0
Lower-Middle	40.8	30.2
Middle	39.0	30.0
Upper-Middle	39.6	33.3
Top	48.1	40.0

Source: JCHS tabulations of the Current Population Survey and the American Housing Survey

Housing costs are also subject to misreporting. Census Bureau staff have, over the years, examined the accuracy of responses to questions in the AHS, including those related to housing costs. The conclusion is that housing cost questions are generally answered accurately. These accuracy tests are described and interpreted by Follain, Kogut, and Marshoun (2000).[6]

Though the AHS provides the most complete housing data of any federal survey, the underreporting of income has significant consequences for affordability measurement in cross-section and time series applications. For that reason, decennial Census and its annual equivalent the ACS data are preferable. However, in some applications the AHS is unavoidable, as, for example, in studies that require a matching of housing costs with incomes for individual households over a longer time frame than ACS data allow and with more frequent intervals than decennial Census data. AHS-based results in these applications need to be interpreted with particular caution.

Treatment of Special Cases

When estimating rental affordability using common methods, analysts are faced with choices over and above how to measure purchasing power and rent, and with which datasets and adjustments. They must also decide how to handle special cases that do not lend themselves easily to assessing rental costs or tenant contributions from income to cover those costs.

[6] An additional consideration regards edited and imputed values. In many surveys, including the AHS and CPS, responses to selected questions are edited for consistency. Other questions are assigned responses if the interviewee failed to answer the question but provided enough other information for a response to be imputed. Typically analysts treat these edited responses as if they are as accurate as reported and non-edited data. Whether this practice is ill-advised is unclear, but the prevalence of edited and imputed data should not be ignored. In the 2001 AHS, for example, 17 percent of the responses to the contract rent question are either edited or imputed.

No-cash renters

One such special case is the "no-cash renter." These are individuals who receive their housing free because they are relatives of the owner or provide services in lieu of rent, such as the resident manager of a rental property. These no-cash renters are found in all income groups, although their average income is below the all-renter average. Furthermore, there was little change in their overall incidence or relative income between 1985 and 1999 (Exhibit 5). Therefore, no-cash renters should have little impact on time series comparisons of affordability.[7] Still, one must decide whether to exclude them and their units altogether from analyses or not. The choice influences the estimate.

Exhibit 5

Incidence of No-Cash Renting by Income Quintiles

Quintiles	1985	1995	1999
Bottom	8	8	7
Lower-Middle	7	6	6
Middle	7	6	6
Upper-Middle	5	5	5
Top	4	4	4
All	6	6	5

Source: JCHS tabulations of the American Housing Survey

Zero, negative and implausibly low incomes

Households that report zero, negative, or an implausibly low income are also special cases. Not accounting for these observations can skew and prevent accurate measurement of affordability problems and trends. Treatment of these cases varies. The Millennial Housing Commission (2002) chose to simply delete all these cases in an effort to produce more conservative estimates of affordability problems. HUD (2003) counted those with zero or negative incomes as unburdened by housing costs. No one adjusts for or deletes households that report incomes of $1,000 or less. But treatment of the 3.7 percent of renters that report zero or negative incomes (as of 2001 in the AHS) and the 1.6 percent of renters that report between $1 and $999 income influences estimates. Inclusion of zero and negative income households also influences the thresholds of income quintiles, raising the upper limit on the lowest quintile from $16,000 to $17,800 when the AHS is used.

[7] The number of these non-cash renters may be overstated, if AHS respondents misunderstand the question (Di and Belsky, 2003, p. 9).

Subsidy recipients

Still another special case is the renter that reports receiving a rent subsidy. Should they be included in counts of cost-burdened households, and if so should the entire rent be included or just the portion paid by the resident? While the answers to these questions depend on the use of the measure, any attempt to include subsidized renters involves measurement problems. The AHS measure of assistance status is marked by misreporting and a net overstatement of the number of assisted households. HUD research cited by Shroder (2003) suggests that roughly 10 percent of those households who do receive government assistance report in the AHS that they do not, while about 20 percent of those who are eligible but not receiving assistance report that they do. Accuracy in reports of assistance status is separate from the issue of the rent reported by assisted households. Although the AHS is clear that respondents should report the rent payment they actually make, some respondents may report the entire rent going to the property owner, including assistance payments made directly to the owner.

In studies that seek to quantify the extent of housing affordability problems that are not addressed by housing assistance, then excluding subsidized renters seems appropriate. Indeed, HUD does not include subsidized households in its counts of Worst Case Needs. However, if the intent of affordability measurement is to identify the total demand for affordable housing, or to examine the financial position of specific households, it seems appropriate to include all rental households in analyses of housing affordability, regardless of their subsidy status. In examining the financial position of specific households, considering only the rent they pay may be appropriate. But if the subsidy amount brings the total rent to a market level, as broadly intended by most government programs, then for studies of market conditions the full rent amount is the preferable measure.

The homeless

Another group relevant to analysis of rental affordability is the homeless population.[8] Estimates vary with definition, time period, and researcher, but between a half a million and one million Americans are homeless at a point in time, and more than 2 million encounter a spell of homelessness at some point during a year, according to estimates for 1996 (Urban Institute, 2000). This compares with 83 million

[8] A final group that is generally excluded from consideration is the institutionalized population. About 2.8 percent of the population was in group quarters in 2000, according to the Census (2.7 percent in 1990). Of these 7.8 million individuals, approximately half were in institutions with formally authorized, supervised care or custody, such as correctional institutions, nursing homes, and juvenile institutions. The other half was living in group quarters other than institutions, such as college dormitories, military quarters, and group homes.

who are in rental housing and 199 million who are in owner-occupied housing, according to the 2003 Current Population Survey. Because most homeless individuals have little income and no assets, if they were in the rental market presumably they would be identified as cost burdened. A recent evaluation of HUD's "worst case housing needs" measure recommended that the homeless be added to the count of those with worst case needs, which by one estimate would increase that count by 13 percent (Koebel and Renneckar, 2003, p.4). The causes of homelessness are many, but housing affordability is surely one.

Vacant rentals

Finally, when assessing the supply of affordable housing judgments must be made on whether to include vacant rentals in counts. In some surveys, such as the AHS, contract rents of these vacant units are estimated and often included. In the Census, rents on vacant units are unavailable and so are excluded.

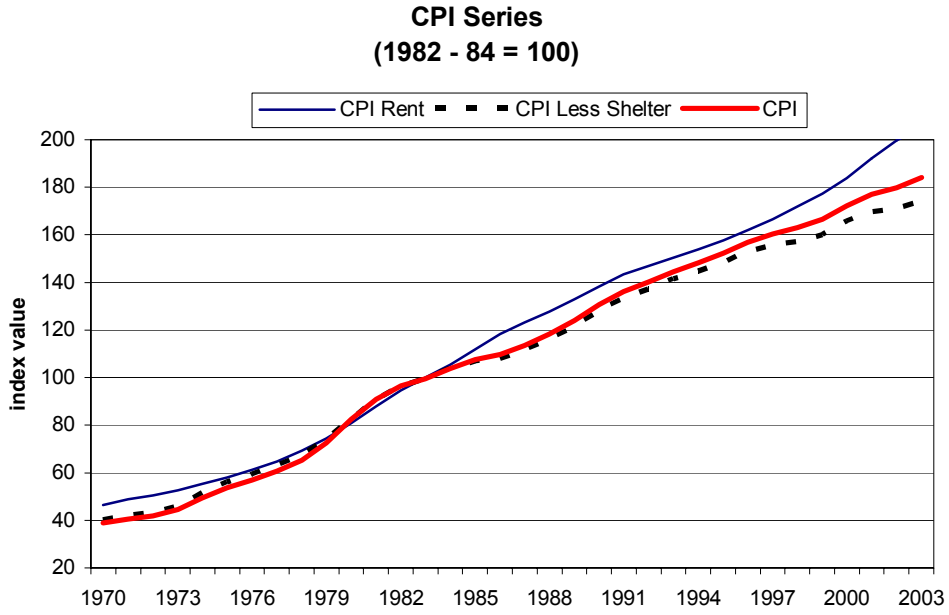
In conclusion, differences in the treatment of special cases can be expected and inevitably result in differences in reported estimates even when the same measure of purchasing power and measure of rent costs are used to quantify rental affordability problems.

Deflation of Incomes and Housing Costs

Changes in rents and incomes include both real and inflationary components. For some purposes it is important to control for inflation, such as when comparing absolute rent and income levels over long time frames. In these applications, the choice of deflator matters but not as much as one might think. Most housing research deflates dollar amounts by the CPI. In theory a preferable measure for rent inflation is the CPI less its shelter components, as this would allow comparisons of housing costs with non-housing costs.

But in practice the selection does not make much difference, because shelter is only about one-third of the whole CPI by weight and the shelter component (including both renter and homeowner costs) has not diverged greatly from non-housing costs. Between 1970 and 2003, the average annual increase of the CPI and CPI excluding shelter differed by only three tenths of a percentage point (Exhibit 6). As a result, the cumulative difference in the two indices is moderate as well.

Exhibit 6



Source: Bureau of Labor Statistics, Consumer Price Index.

However, it *does* matter what index is used to adjust rents when exploring changes in the supply of "low-cost" rentals over time. As discussed in greater detail below, it makes a difference whether rent thresholds are adjusted for general price inflation, or changes in the median income for a family of four, or some more direct measure of changes in the incomes of renters in general and low-income renters in particular. The tendency in many studies is to adjust for changes in the median income for a family of four because these are used in federal housing programs to group households into very-low and extremely-low income. But median renter incomes seldom increase as fast as family incomes. Hence, using this measure tends to overstate changes in the supply of low-cost rentals.

Navigating the Choices of Measures and Methods

With so many choices of measures and ways to construct them, the question arises as to when it make sense to use which approaches and with what caveats. A number of findings that bear on this question are suggested by the foregoing analysis. First, the share-of-income and residual income approaches are simpler and more direct than supply affordability and gap approaches because unlike the latter they do not abstract from the actual rents paid by households. Instead of being hampered by issues of whether so-called "affordable" rentals are of the type or in the locations that renter households of different incomes demand, condition measures are based on observed behavior.

Second, the share of income measures avoid issues of how, whether, and which index to use to deflate incomes and rents in time series comparisons which must inevitably be used with supply-based measures. This is because in share of income measures direct comparisons can be made between cost-to-income ratios calculated with current dollars in one year with that ratio calculated in current dollars in another.

Third, gap measures have less validity when for looking at the middle and top of the income distribution than at the bottom of the distribution. They are more difficult to interpret for the middle and top because units with rents below the floor threshold are also affordable to households above the floor income, and therefore by right ought to be added to the total supply of units affordable to a middle or top income group when comparisons are made to the number of households in those groups.

Fourth, gap measures implicitly assume that all rentals below a threshold are affordable to all households with incomes below that threshold when quite evidently those with incomes near the bottom cannot afford rentals near the top.

Fifth, share of income measures and also gap measures ought to scale the affordability standard based on income levels, though how to do so is not clear and would require normative and subjective standards.

Sixth, the FMR to minimum wage comparison has special appeal because, absent hedonic estimates and a CPI rent index available on more places, it comes closest to comparing the constant rent of a moderately priced rental to the a constant (until policy changes) household income for a household with a single earner in low-wage full-time jobs across metropolitan and non-metropolitan areas. Nevertheless, the FMR should not be viewed as a true constant quality index (nor was it designed to be one). Also, it is subject to measurement problems itself.[9]

[9] Indeed, it is not only set at a higher point in the rent distribution as a result of policy considerations but is generally criticized as understating moderate rents in many places. For purposes of program administration, HUD has developed and maintains annual estimate of "FMRs" for all metro areas and non-metro counties nationwide. They are defined as the 40th percentile of the rent distribution of standard-quality, two-bedroom rental housing units, based on gross rents paid by recent movers. Excluded from the base are public housing units and units less than two years old. In some markets, effective in 2001, the FMR was set at the 50th percentile rather than the 40th. And prior to 1995, the FMR was set at the 45th percentile. In program applications, FMRs are adjusted up and down based on family size and composition and the implied requirements for bedrooms. FMRs have several drawbacks for affordability analysis. The bundle priced differs from place to place, is for recent movers and so is not representative of all renters, and the percentile differs across markets and over time. Lastly, FMRs are administratively adjusted in some markets, most notably sparsely populated non-metropolitan counties. In 1999, for example, FMRs were set to "state minimums" in the majority of all non-metropolitan counties (HUD, 1998).

In practice, FMRs behave much as do constant quality indices when used to compare rent levels across local markets, but do not serve this role well in studying changes in rents over time or comparing changes in rents across markets. Malpezzi, Chun, and Green (1998) found that for top 50 markets the correlation between median

Seventh, the choice of contract or gross rent has profound implications for estimating both the magnitude of rental affordability problems and trends over time. While gross rent reflects what households must pay for housing, contract rent is a better, though not perfect, measure of secular trends in the non-utility costs associated with supplying rental housing.

Eighth, for explorations of chronic housing problems, permanent income or actual long-run average incomes observed in a panel study of households are best. However, current income is more widely available and gauges the incidence of problems at points in time across larger populations.

Ninth, the decennial Census and the ACS likely provide better estimates of incomes than the AHS. Thus, unless applications require the use of detailed property characteristics, these are the preferred sources. Tenth, homeless individuals ought to be included in counts of households with housing affordability problems. Although some are homeless because they are prevented from working by mental disabilities, most have incomes too small to afford housing, let alone the cost of housing plus the services they need to move them out of homeless permanently.

Eleventh, looking at a single point in the income or rent distribution does not provide an accurate reflection of what is going on at other points. Therefore, several points should be compared. The use of averages and medians should be avoided for all applications except for rank ordering areas by affordability to moderate- and middle-income households.

Finally, adjustments for income undercounting, the impact of taxes on available income, non-cash benefits, and improbably low reported incomes are possible but are difficult to execute and are subject to measurement error. Making these adjustments would nevertheless make estimates more precise.

rent as estimated by a hedonic method and the FMR is 0.92. But between 1990 and 2000, that national average FMR rose 25.5 percent compared to the CPI rent index increase of 32.8 percent. In individual markets, changes in FMRs also do not correlate highly with changes in constant quality rents. In those markets with CPI rent indices, the correlation between the1991-1998 increase in CPI rent and FMR rent was only 0.46, and in fifteen markets with hedonic estimates for 1991 and 1998, the correlation with FMR changes was only 0.35. In both comparisons, the average FMR increase was smaller than that of the constant quality index.

WHAT THE CONVENTIONAL MEASURES TELL US ABOUT RENTAL AFFORDABILITY

Despite the many problems associated with existing affordability measures and differences in estimates attributable to varying assumptions and datasets, they do allow stylized conclusions to be drawn about rental housing affordability. A few of these stylized conclusions are presented here. The focus is on top-line findings—findings that mostly relate to the level of affordability problems, the distribution of rental affordability problems by income and geography, and changes over time in rental affordability problems nationally. Of course, many others could be explored, but the purpose here is to touch on only the broadest ones as an illustration of the value of common measures in spite of their problems.

Numbers and Shares of Cost-Burdened Renter Households

No matter which measure is used and what adjustments and assumptions are made, it is clear that at any given time millions of renter households have trouble affording their housing. The actual estimates of the number and share do vary, but generally range between 12.5 and 14 million households and 35-45 percent of renters.[10] The number and share of severely cost burdened renters, those spending more than 50 percent of income on rent, is estimated to be between 6.1 and 6.8 million and 17 and 21 percent of renter households (Exhibit 7).

[10] This is based on calculations using the 2000 Census and the 2001 AHS and ACS, with gross rents and pre-tax reported income, classifying all no-cash renters as unburdened and renters with zero or negative income as severely cost burdened, with no additional adjustments for income underreporting or simulated after-tax income.

Exhibit 7:

Comparison of Affordability Trends by Data Source

Counts of Renter Households (000s)

	with Cost Burdens				with Severe Cost Burdens		
Quintiles	**Census 2000**	**ACS 2001**	**AHS 2001**	**Quintiles**	**Census 2000**	**ACS 2001**	**AHS 2001**
1	8,645	9,111	7,931	1	5,518	6,094	5,409
2	3,017	3,815	3,990	2	462	623	763
3	617	829	998	3	80	88	144
4	134	201	248	4	13	18	35
5	31	47	36	5	1	0	0
Total	12,445	14,003	13,203	Total	6,074	6,823	6,351

Shares of Renter Households (%)

	with Cost Burdens				with Severe Cost Burdens		
Quintiles	**Census 2000**	**ACS 2001**	**AHS 2001**	**Quintiles**	**Census 2000**	**ACS 2001**	**AHS 2001**
1	73	82	82	1	47	55	56
2	34	44	48	2	5	7	9
3	9	12	15	3	1	1	2
4	3	4	6	4	0	0	1
5	1	2	2	5	0	0	0
Total	36	42	43	Total	17	20	21

Source: JCHS tabulations of the 2001 AHS and ACS and the 2000 Census 1% PUMS

Concentration of Cost burdens in the Bottom Fifth of the Income Distribution

The more than one in three renter households with cost burdens are not evenly distributed by income: they are heavily concentrated among the lowest income households. Some analysts focus specifically on the lowest-income households when calculating and discussing affordability problems, under the theory that these households are least able to endure cost burdens and have the fewest alternatives for finding cheaper housing.

Using the same estimates as above, between 7.9 and 9.1 million renters in the bottom income quintile had cost burdens, which accounted for as much as 69 percent of all cost-burdened renters, and a shocking 73-82 percent of renters in the bottom quintile. On the severely cost burdened side, low-income renters again dominate, with 5.5-6 million households accounting for as much as 85 percent of all renters with severe cost burdens, and 47-56 percent of all bottom quintile renters.

Mounting Cost Burdens among the Poor

Despite slower long run growth in gross rents than contract rents, thanks to slowly growing utilities costs, cost burdens have been mounting among those at the bottom of the household income distribution. Both the AHS and Census/ ACS show growth in the share of cost burdened renters in the bottom household income quintile over the 1990s. The Census/ACS shows even more significant growth in this share since 1960—rising from six in 10 of these households to eight in 10 by 2000.

Different datasets, however, do not yield consistent estimates of the trends in rental affordability. The AHS shows a 14 percentage points change in the share of renter households in the bottom income quintile with cost burdens – twice as much as the 7 percentage points of change in the Census (Exhibit 8). Both also show growth in share cost burdened in the second income quintile of only 2-3 percentage points. However, while the AHS shows no growth in the cost burden share in the middle-income quintile and 3 percentage points of growth in the fourth quintile, the Census/ACS shows a 2 percentage point *decline* in both of these income quintiles.

Exhibit 8:

Share of Renters Households with Cost Burdens (%)

	AHS				Census/ACS		
Quintiles	1991	2001	Change		1990 Census	2000 ACS	Change
1	68	82	14		72	79	7
2	45	48	3		42	44	2
3	15	15	0		14	12	-2
4	3	6	3		5	3	-2
5	0	2	2		0	2	2
Total	37	43	6		37	40	3

Source: JCHS tabulations of the 1991 and 2001 AHS; Quigley and Raphael (2004)

Quigley and Raphael (2004) show these trends over a longer period using the 1960, 1970, 1980, and 1990 Censes and the 2000 ACS. Their results reveal that since 1960 the share of renters in the lowest household income quintile with moderate or greater cost burdens grew by 17 percentage points and in the second quintile by an even larger 23 percentage points. But most of the increase in the second quintile cost burden shares occurred from 1970-1980 while the share increases were greatest in the bottom income quintile after 1980.

The mounting problems among renters in the bottom household income quintile since 1980 are all the more striking in light of the slower growth of utilities than contract rents. The cost to lease rental space net of utility costs is clearly up more than incomes of renter households in the bottom quintile.

Increase in Problems among Moderate-Income Renters

While cost burdens are heavily concentrated at the bottom of the income distribution, they appear as well in moderate- and middle-income ranges. Recent studies by the National Housing Conference show high levels of cost burdens among working families, especially in the higher cost housing markets where incomes for some essential service occupations (including teachers, nurses, police officers and janitors) are not adequately adjusted for the local cost of living. Furthermore, trade-offs of housing and transportation costs are more acutely observed among middle-income households, who often opt to live far away from employment centers in order to find affordable housing, but end up with longer and costlier commutes as a result.

Less clear is whether cost burdens are becoming more or less common among moderate-income renter households, with the AHS suggesting that they did at least over the 1990s and the Census suggesting that perhaps they did not over that timeframe but have over one that spans back to the 1960.

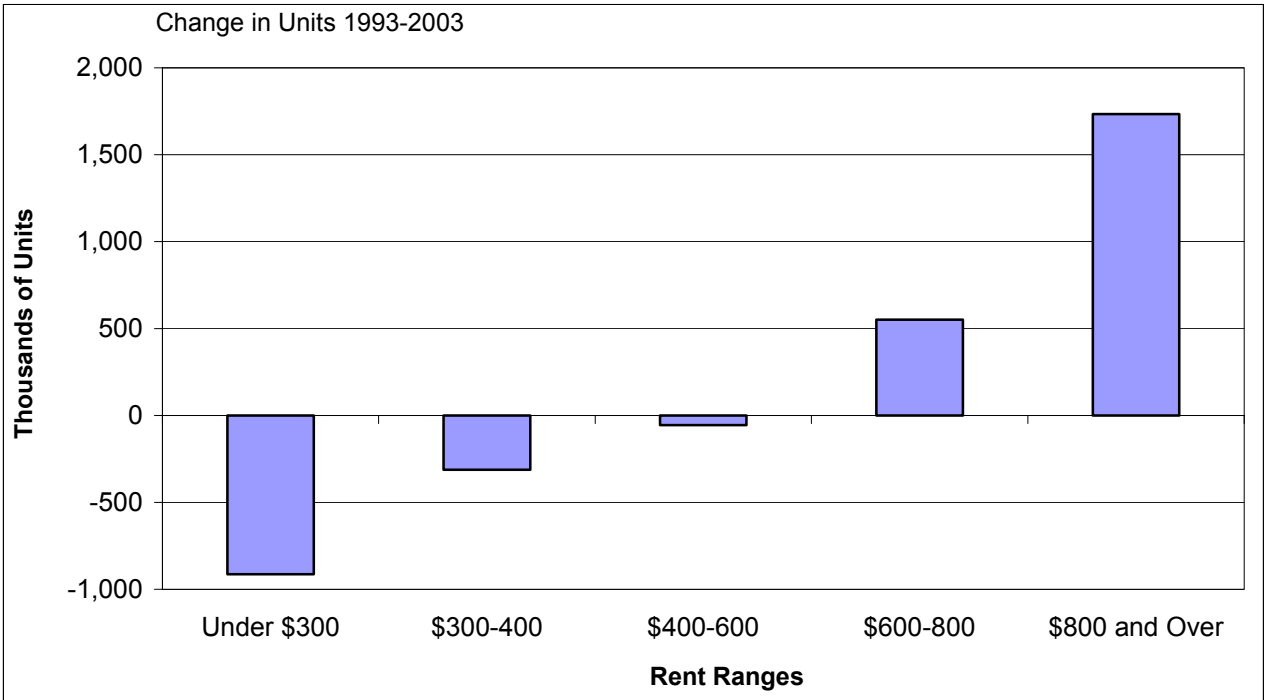
The Dwindling Number of Low-Cost Rentals

Interpreting what is happening to the "supply" of low-cost rentals is more challenging than examining the level, distribution, and change of actual cost burdens. This is because findings about losses or gains in the low-cost supply depend on how "low-cost" is defined and whether that definition is adjusted to reflect growth in incomes and, if so, which incomes—household, family, or just renters—and whether to use the change in the median income of the entire distribution or changes in incomes at some other point of the income distribution.

Two approaches have been used. One is to examine changes in the number of rentals below some threshold rent adjusted only for general price inflation. The other is to adjust the rent threshold for changes in some measure of income. Several studies have used the first approach. Apgar (1990) found that the number of units with rents of $300 or less (in constant 1985 dollars, or $465 in 1999 dollars) had declined by 1.6 million between 1974 and 1985. Goodman (2001), in a paper written for the Millennial Housing Commission, found that the number of units with rents of $400 or less (in constant 1999 dollars)

had declined from 7.26 million to 7.08 million between 1985 and 1999, for a loss of more than 250,000 rentals (Goodman, 2001). The State of the Nation's Housing report (Joint Center for Housing Studies, 2005) found that the number of units renting for $400 or less fell by 1.2 million between 1993 and 2003 (Exhibit 9). HUD (2001) set the threshold rents at what extremely low-and very low-income households could afford in 1985 and then adjusted them for general price inflation only. The HUD report also found that the number of units affordable at these real threshold rents fell significantly from 1985-1999.

Exhibit 9:
Losses from the Low-Cost Rental Stock



Notes: Includes occupied and vacant-for rent units. Ranges are based on gross 2003 rents, including utilities.

The Millennial Housing Commission, on the other hand, adjusted very low- and extremely low-income affordable rent thresholds for the change in the median family income for a family of four. This is the income used to establish HUD-Adjusted Area Median Family Incomes. Using this measure, the Commission found that the number of rental units affordable to extremely and very low-income households *increased* 1985-1995 and 1995-1999. However, this approach has the distinct disadvantage of adjusting for increases in family income rather than renter incomes or the income of renters at the

bottom of the income distribution. Because the growth in family income was greater than the growth of incomes of low-income renters, the approach exaggerated the growth in rentals affordable to these groups.

The Supply/Demand Mismatch

From a mismatch perspective, the question is whether the number of renter households with the incomes needed to afford lower cost units is shrinking as fast as the number of these units. Again, the findings are sensitive to the method used, though it does appear that the mismatch is growing worse. As noted, HUD (2001) did not adjust rent thresholds for the rate of growth in the median income of families of four. Without this adjustment, it appears that the number of units affordable to extremely low-income households fell sharply by about 4.9 million and that the number of units affordable to very low-income households fell by more than 600,000 units 1985-1999. Over the same period, however, the number of renter households as reported by HUD in each of these groups did not fall. Hence, the report found a worsening mismatch. The Millennial Housing Commission, however, which did adjust the rent thresholds for growth in median family income from 1985 to 1999, found that the number of units affordable to very low-and extremely low-income households was greater in 1999 than 1985, suggesting that the mismatch did not widen but instead narrowed.

A better approach to sorting out what fraction or number of rentals are "affordable" to renters at the bottom of the income distribution than the one taken by either HUD or the Millennial Housing Commission is to compare the median rent to the median income of bottom quintile renters in a given year. This avoids having to adjust thresholds with an income index and takes into account the fact that renter incomes go up or down in real terms just as do rents but at rates that are historically not as rapid as family median income. Furthermore, by taking 30 percent of the median of the bottom income group as the basis for setting the threshold rent, the approach avoids setting the threshold at the upper most income of the group.

This is the approach Quigley and Raphael (2004) used. Using the Census and ACS, Quigley and Raphael found that the share of all rentals affordable at the median income among renters in the bottom household income quintile fell from 15 percent in 1980 to 12 percent in 1990 and 7 percent in 2000 (Exhibit 10). Yet, the share of renter households in the bottom household income quintiles held steady at 32-33 percent of all renters in each of those years. This is probably the best measure and it clearly reveals a large and

growing mismatch between the incomes of renter households in the bottom quintile and the rents of rents in the bottom quintile.[11]

Exhibit 10:

Share of Rentals Affordable to Households in Bottom Income Quintile Falling While Share of Rental Households in it Have Not

Percent of Rental Stock Affordable to Households with the Median Renter's Household Income within Income Quintiles (%), and Percent of all Renter Households with Incomes in Each Category (in parentheses, %)

Quintiles	1980	1990	2000
1	15 (33)	12 (33)	7 (32)
2	59 (27)	53 (25)	50 (26)
3	92 (20)	87 (20)	88 (20)
4	99 (13)	97 (14)	98 (14)
5	100 (7)	100 (8)	100 (8)
Total	70 (100)	63 (100)	62 (100)

Source: Quigley and Raphael (2004)

Although estimates of the direction of change in supply/demand mismatches vary, all studies find a significant gap between the number of low-cost rentals at a variety of thresholds and the number of households that can not afford rents above those thresholds. For example, HUD (2001) estimates the gap between the number of extremely low-income households and the number of rentals affordable to them was 1.8 million in 1999. The mismatch is even larger when units affordable and available to them are considered (that is, affordable rentals that are not already occupied by higher income households). That gap stood at 4.9 million in 1999. The Joint Center for Housing Studies (2005) reported that the number of renter households with incomes up to $16,000 exceeded the supply of affordable and available rentals by about 5.2 million in 2003.

"Housing Wages" for Modest Rentals

NLIHC (2003) reports that in no state is minimum-wage full-time work sufficient to afford the FMR for a two-bedroom apartment. In fact, in several states it takes more than 3 times that wage rate. Furthermore, the federal minimum wage has not changed since 1997 while weighted average FMRs have been

[11] It is worth noting that median renter income of households in the bottom income quintile that Quigley and Raphael deploy is not much different from the median reported income of extremely low-income renters nationally.

increasing. As a result, the average national housing wage for a two-bedroom apartment has crept up from $11.08 (more than twice the minimum wage) in 1999 to $15.21 in 2003.

Of course one can argue whether the FMR is the right rent level to use in making comparisons to minimum wage. But this approach dramatically underscores that what the federal government deems as a modest rental is beyond the reach of millions of full-time working families.

LIMITATIONS OF CONVENTIONAL MEASURES

Despite the many benefits of the conventional measures of rental housing affordability, they also have several drawbacks and limitations. First, the measures fail to take into account the tradeoffs households can and do make to lower housing costs but that add to other costs or compromise on housing or neighborhood quality. Second, the measures count households spending over a threshold share of income as cost burdened whether the decision to spend that share was bred out of choice or necessity. Third, the measures do not address the role that changes in housing quality over time may be playing in driving affordability trends or how the supply of rental housing may be changing relative to the demand for it. And fourth, the reliance of the measures on the 30 and 50 percent of income thresholds has substituted for a necessary political debate over what ought to be viewed as an unacceptably high housing cost for households with different incomes to bear.

Each of these limitations is addressed in turn. Addressing them is difficult, however, and underscores the necessity of making subjective judgments about what constitutes "too much" to spend on housing, what is a minimally acceptable housing bundle, how much is too much too spend for housing and transportation combined, and how each of these varies with income. After all, the very concept of affordability turns on subjective judgments and the application of normative standards. According to the Webster's New Collegiate Dictionary to afford something is "to manage to bear without serious detriment; to be able to bear the cost of." The Oxford English Dictionary defines the act of affording something as "to have the means, be able or rich enough; to bear the expense of." Clearly there is no absolute standard for what constitutes a serious detriment, what is rich enough, or what it means to "be able to bear the cost/expense of." Instead, these are subjective, socially constructed norms with political implications.

Failure to Take Tradeoffs into Account

Housing is perhaps the most heterogeneous good. Not only does housing come in a wide array of styles, ages, sizes, shapes, and amenity packages, it also comes with a nearly infinite constellation of neighborhood and location characteristics. Therefore, what one spends is highly variable and depends at least as much on its location as the product itself.

As a result, households can tradeoff housing quality, neighborhood quality, and access to jobs and other amenities for lower housing costs. When only the cost of housing is considered in affordability measures

it misses the fact that some will choose to spend more to get more while others may spend more but not get as much in return.

Put more simply, the questions begged by housing quality differences is whether measures of rental affordability should: 1) account for what people get in quality in return for what they pay for it, as well as how this may be changing over time and varies by areas; and 2) tally up the implicit additional costs associated with their housing choices when calculating how much of their income goes to housing.

The answers to these questions are almost certainly yes. But devising methods for accounting for quality and the added expenses associated with tradeoffs is both challenging and entails subjective judgments. Tallying up at least some of the additional costs may appear simple but the trick is deciding how much of these expenditures should be attributed to trading off quality or location for lower housing costs. Take transportation costs. Some households take longer commutes purely out of choice and not necessity. Nonetheless, it is striking that households that allocate 30 percent or less of their outlays spend considerably more on average for transportation than those that allocate 50 percent or more. Still, there is appeal to controlling for quality and tradeoffs implicit in quality choices.

Thalmann (2003) is one of the few analysts to make a serious effort to deal with the quality issue in measuring affordability. Thalmann's objective was to decouple the affordability problems of Swiss households that suffer from housing-related problems from those in need of broader income assistance. He developed a set of indicators to identify over-consumption of housing and hedonic indices to account for quality differences in what housing is being consumed. The hedonic rent is a function of a unit's attributes, implicit prices, and residual determinants of rent differences, or more simply "market factors". His hedonic equation, when applied to a limited number of housing characteristics variables in a 1998 household survey, explained 54 percent of the reported rent of units. Over 55 percent of households paid within 20 percent of the expected rent for their units, and 30 percent within 10 percent. In the end, 79 percent of households were found to be spending below the standard amount prescribed by their characteristics for housing and non-housing consumption, even though 12 percent of them would otherwise have been classified as being unable to afford their housing under a 25 percent standard share of income ratio. Only 4 percent of all households fell into the category of prime candidates for targeted housing assistance – only a fifth of all households with share of income ratios over 25 percent.

The CHP study of housing and transportation costs addresses another criticism of the share of income approach by considering the trade-off many households make between spending large shares of income

on housing and living farther away and commuting long distances in order to find affordable housing. Using analysis of the CES data compiled by the Economic Policy Institute, the CHP study found that the share of total household expenditures on transportation was 3 time higher for households spending less than 30 percent on housing than for households with half their expenditures on housing (CHP 2005). Other trade-offs were also evident, including reduced spending on healthcare and food among households with higher housing expenditures.

Lastly, DiPasquale and Kahn (1999) found that locational choices can and do vary among households paying similar amounts for housing. Their analysis, based on 1990 Census data, found that blacks, whites and Hispanics in Los Angeles County had similar housing costs, even after controlling for income differences across races. But the housing and neighborhood quality blacks and Hispanics received were considerably lower than the neighborhood quality whites paying similar amounts received.

Failure to Distinguish Choice from Necessity

Housing decisions usually contain elements of both choice and constrained choice. All else equal, most people would like to live in a high quality home in a high quality neighborhood. But households make their choices subject to budget constraints while seeking to maximize their overall utility. What constitutes maximum utility varies with individual household tastes and preferences. Some value the flow of services provided by housing more than others. It is therefore difficult to distinguish between those who are spending large shares of income on housing because they cannot find a lower cost but suitable rental and those who could find a suitable lower cost rental but opt to spend more anyway.

Of course, what is minimally suitable is also in the eyes of the beholder. The debate over what constitutes minimally acceptable housing—and how this might vary with income given social expectations—is largely not joined. Hence issues of choice are generally overlooked in discussions of housing affordability. Again, an exception is Thalmann (2003). He considered households that were found to be paying above a standard amount estimated by a hedonic for different household types for their unit as "over consuming" housing. However, Thalmann admitted that some of these households might be supply-constrained and unable to find units more suitable to their needs at lower prices. Nevertheless, he excludes from his counts of those suffering with cost burdens all households spending more than the average amount predicted even though they have high rent/income ratios. As discussed above, Thalmann used a hedonic approach to decide on the appropriate housing expense. But he based his measure of standard price on only a few observed variables. He excluded many unobserved features that are

precisely the factors that are critical to making such determinations (including location and amenities). Hence, although his work is innovative, one would want a far more thorough vetting of the standards used, their normative foundations, and their political implications before considering adopting them for policy purposes.

Failure to Capture Changes in Housing Quality and Composition of Demand

The standard measures of housing affordability are often used to explore changes in housing affordability over time. Yet, they do not distinguish changes in housing affordability caused by changes in the price of housing from changes in its quality. It is important to develop and refine methods to do this because part of the reason many have argued that rents are escalating so rapidly at the bottom of the rent distribution, even though incomes at the bottom of the income distribution have not, is that land use regulations and building codes preclude the production of modest rentals at high densities per acre. To the extent this is true then a large part of the increase in rents should be attributable to quality improvements and to a constrained supply of modest rentals.

Goodman (2005) has examined this issue using hedonic techniques and found evidence that improvements in quality indeed are behind some of the increases in rents. But he also found that the role of quality improvements in explaining rent increases varies across metropolitan areas. He found too that the rate of rent inflation in the bottom third of the rent distribution relative to other two-thirds, after controlling for quality, also varies. But he noted several constraints on making effective estimations with available data.

It is also important to recognize that quality improvements may reflect the demand for higher quality housing, not a governmental constraint on what can be supplied. Demand for higher quality can simply reflect increasing expectations as living standards improve or a reduction in the costs of other goods and services relative to housing that frees up budget for housing or changing preferences for the flow of service produced by housing. For example, if people start to value public education more highly (which is plausible because returns to college degrees have been growing relative to high school degrees) then they may increase housing expenditures relative to other goods to obtain better education.

Better approaches to understanding how the supply and price of low-cost rentals is changing relative to demand, and why, are needed. Simply examining how the shares of renter households with cost burdens are changing over time does not get at this, nor does how the supply-demand mismatch is changing.

Uncritical Reliance on the 30 and 50 percent of Income Standards

The act of establishing an affordability standard for public policy decisions is an inherently political act. It governs public perceptions of how widespread and for whom housing affordability is a problem, and thus how and what ought to be done about it. In the US, it governs how much people receiving many forms of housing assistance are required to pay in rent. As a result, it also determines how costly it is to serve households at different incomes levels.[12]

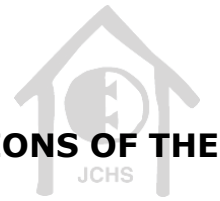
The 30 and 50 percent affordability standards are widely used but rarely questioned. As discussed earlier, the 30 percent standard emerged out of debates over how much to insist that recipients of federal assistance pay towards their rents. The decision was driven by budgetary considerations, not a debate over how much is too much to spend on housing and by whom. The 50 percent standard was selected because it was deemed that very low-income households spending more than half of income on housing causes serious detriment to these households because they would have so little left over for other basic needs.

The residual income approach was intended to narrow the definition of housing affordability problems for the purposes of targeting assistance to the poorest of the poor and making sure that they have enough leftover to meet basic needs regardless of how large a subsidy it takes. But such an absolute standard fails to capture socially constructed notions of what constitutes a hardship for moderate- and middle-income households. Surely, many households with these incomes who spend large fractions of their income on housing or commute great distances to lower their housing costs think of themselves as having housing affordability problems. It is legitimate and important to engage in serious debates and analysis of what does constitute a hardship for such households. Indeed, with housing affordability problems clearly creeping up the income scale, and the middle class an important potential constituency for housing programs, this is growing increasingly important.

What is needed is a much more engaged public policy debate over what constitutes a rental affordability problem and minimally acceptable housing (including housing quality, size, and neighborhood condition) *by income level*. It is an accounting fact that when people spend more on housing they spend less on other items. Many of these tradeoffs have significant public policy implications. Evidence suggests that

[12] Even the use of term of "affordability" is in many senses a political act. Indeed, it has become such a popular term for referring to housing because it is so vague. It gained in currency when advocates and politicians realized that by substituting the term "affordable" housing for the terms of "low-income" or "subsidized" housing, reactions to the term were less politically charged.

people spending more on housing spend less on education, health care and on pensions, insurance, and savings (Joint Center for Housing Studies 2004, 2005). This imposes greater strains on the health care system, reduces workforce productivity, increases reliance on social security payments, and leaves more households vulnerable to even temporary disruptions in income.



OVERCOMING THE LIMITATIONS OF THE CONVENTIONAL MEASURES

Several steps could be taken to overcome the limitations of conventional affordability measures. Mostly, these involve controlling for housing and neighborhood quality, building tradeoffs to lower housing costs into estimates of the problem, and grappling with the thorny political issues of what constitutes a housing cost burden, minimally acceptable housing, and minimally acceptable neighborhood quality at different income levels. We should be as concerned with what people get for what they pay for housing as how much they pay for it. There are additional opportunities to improve measures by linking available datasets and expanding the information collected by federal surveys. Any of these so-called "fixes" would be hard to accomplish, and are outside the scope of this paper. Distinguishing choice from necessity in housing consumption is especially difficult because it difficult to achieve consensus about what standards to apply in making these determinations (Thalmann 2003).

Though it is difficult to envision creating a measure or class of measures that captures all aspects of housing quality, there are concrete steps that could be taken to advance our understanding and appreciation of both the magnitude and trend in housing affordability problems. First, it is possible to create constant quality rent indices and constant income indices to examine changes in rents and incomes of typical housing and households. Second, it is possible to pair this analysis with an analysis of how the supply of units defined as minimally acceptable by some standard is changing relative to the number of households most likely to demand them. Third, it would be worthwhile to develop methods that take into account some portion of cost tradeoffs made to lower gross rents, including location, quantity, and quality of rental housing. Fourth, there are opportunities to link datasets to answer additional questions about trends in and drivers of rental affordability problems. Lastly, some limitations of existing measures can only be ameliorated by adding new questions to existing federal surveys or creating new surveys.

Create Constant Quality Rent and Household Income Indices

A key question is whether rents of housing of constant quality are growing faster than returns to constant quality labor.[13] Hedonic indices are a powerful tool for determining how the rents of specific housing

[13] Unfortunately, the federal government does not estimate hedonic rent price indices even at the national level. The closest it comes to providing a measure of constant-quality rent change is the rent component of the CPI. But this is not a constant-quality index over the longer run because it measures increases by returning to the same unit multiple times over an 18 month period to ask about the rent. Therefore, it is influenced by how the composition of the entire rental stock changes over time as new sampled units roll in and out of the survey. Similarly, HUD produces an FMR series at the metropolitan level which estimates rents at a point in the distribution each year. In the short-run

bundles of constant quality vary over time and space.[14] These techniques estimate rents as a linear aggregation of elements that make up the bundle of attributes that together govern rents. These include structural and neighborhood attributes. An index of changes in the rents for particular bundles of attributes at these different levels of geography can be created by re-estimating the equation at different points in time.

This approach also allows for estimation of the independent contribution of different attributes to overall rent levels. This helps in assessing what attributes are becoming relatively more or less expensive for renters. But the capacity of such models to capture quality differences depends on the detail and quality of data used to make the estimations. In general, detail in publicly available datasets is quite limited, especially on the neighborhood dimension but also on detailed quality differences among rentals. Yet neighborhood quality varies markedly from place to place, including noise, crime, open space, schools, and shopping. With housing so heterogeneous, it is impossible to price every bundle and to capture every factor that influences rents. In addition, hedonic rent indices also require considerable judgment in their construction and estimates are sensitive to the choice of variables, functional form, and datasets. Nevertheless, the use of hedonic methods is worthy of more attention than it has received.

On the income side, returns to labor also vary by location and importantly by type of occupation. Census does not create earnings indices for representative jobs. However, data down to the metropolitan level on incomes by occupation from the decennial census allows for direct observation of how these earnings are changing. Armed with these data, one could examine changes in the incomes of households with one or two full or part-time earners engaged in typical low-wage, moderate-wage, or middle-wage occupations.

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quality is reasonably well controlled for (though with some measurement error because each year a separate random-digit dialed sample is surveyed) but less so over longer periods. Neither measure provides estimates for specified bundles of attributes or for multiple points in the distribution.

[14] Evidence of this difference in price increases by market segment comes from the CPI. In addition to the rent component, the CPI also includes an "owners' equivalent rent" element. It is defined as the rent homeowners would have to pay, given current conditions in their local market, if they were renting rather than owning their house. Because owners on average occupy housing units with more space and amenities than the typical renter-occupied unit, the owner-occupied rent index prices a higher quality bundle than does the rent index. This higher quality bundle has apparently been inflating more rapidly than rental housing overall, as the owners' equivalent rent index rose 115 percent from its introduction in 1983 through 2003, over which period the CPI rent index rose only 105 percent. Additional evidence of price differences by quality segment comes from research by Thibodeau (1995). He found that estimated rent increases in metro markets depended on whether he priced the typical rental bundle as of the beginning of the observation period (Laspeyres price index) or as of the end (Paasche price index). For example, if the supply of rental housing is especially constrained (inelastic) for a certain bundle of structural and locational attributes, that housing will experience larger changes in rent in response to demand changes than will other bundles. Similarly if the incomes of those that demand certain bundles escalate faster in some segments or places than others over the long-run, rents for these bundles may increase faster.

Comparing rent and income indices is of special value because they are better at distinguishing housing choices that likely reflect preferences from those that involve constraints. These comparisons do this by shifting the question away from how many households have cost burdens as a result of the choices they make towards what housing they *could* choose given their incomes.

This approach can also be used to examine possible racial and ethnic differences in the quality of housing received for the price paid. One way to do this is to control for neighborhood quality in hedonic equations but also include additional controls for the racial and ethnic composition of neighborhoods. If these composition variables have a statistically significant influence on rents, then it suggests that residents of minority communities are getting back less in quality than they are paying for relative to those in other communities. An alternative is to separately model the prices paid by different racial and ethnic groups and compare the implicit prices paid for the same housing and neighborhood attributes.

Explore Changes in the Supply of Minimally Acceptable Rentals

It is important for policy makers to answer the question of what constitutes a minimally acceptable rental, especially for the poor, and how the supply of this housing is changing. The concept of minimally acceptable housing involves housing and neighborhood quality components. While it is desirable to create hedonic indices that truly capture neighborhood quality, concessions almost certainly must be made due to the lack of detailed information on neighborhood conditions and services in most datasets, as well as the exigencies of selecting only a few, representative structural/ neighborhood bundles to study.

Once a minimum standard is established, changes in the supply of housing with those minimal characteristics can be quantified. To the extent that the supply is shrinking and its rents increasing, but the incomes of households that typically occupied them are flat but their numbers are growing, this is compelling evidence of a market failure.

Account for Tradeoffs

Another new direction that would contribute to better understanding and measurement of rental affordability is to account for the costs imposed by making housing tradeoffs. Housing location determines distance from the place of work. Residential rents generally are higher, all else equal, in locations close to employment centers. So workers can conserve on rents by living farther from employment centers, but at the cost of higher transportation expenses – both time and money. This

tradeoff raises the issue, especially in large metro areas, of the appropriate way to handle these transportation expenses in estimates of rental affordability. Should the dollar cost of commutes over and above a certain length or time, or that involves a shift from lower cost mass transit to private transportation, be added to housing expense? As with neighborhood quality, the appropriate handling of commuting expense in studies of housing affordability has yet to be determined.

While it is beyond the scope of this report to offer a solution to this problem (the answer to which will rely in part on subjective judgment as well as quantitative estimations), this is clearly an area worth pursuing. Health care and lost productivity costs associated with the mental and physical stress of living in poorer quality or crowded units or units far from work may also appropriately be addressed by an approach aiming to account for tradeoffs made to lower rental costs.

Link Multiple Datasets

More generally, the quality of housing affordability analysis could be improved by combining data attributes not found in any one survey or census: detailed housing characteristics, detailed income and demographic characteristics, national representation, local area coverage, and longitudinal coverage of households and their housing. One promising strategy for overcoming the limitations of individual data sources is to combine them by assigning characteristics to records in one dataset based on related characteristics in another dataset.

Fortunately, in recent years statistical methods have been developed for imputing values to observations in one dataset based on values in another that make doing these sorts of imputations more reliable. Angrist and Krueger (1992) developed a method that allowed them to combine information on age at school entry from one data source with information on educational attainment from another. And in a recent conference paper, Bostic, Gabriel, and Painter (2003) used a different statistical method to combine wealth information from the Survey of Consumer Finance with expenditure data from the CES to analyze wealth effects on housing consumption.

The several federal datasets commonly used in housing research offer the opportunity for combinations that will allow more affordability questions to be addressed than is possible with any one survey or census. A few examples follow. The housing detail of the AHS could be allocated to individual households followed over time in the PSID. Or the housing unit detail of the AHS could be allocated to local areas identified in the ACS. Or the detailed resident and unit characteristics of the AHS could be

combined with the property-level information collected in the 2001 Residential Finance Survey (RFS) – a survey that examines the financing and ownership of rental properties. In addition, the detailed property information of the RFS could be combined with the geographic detail of the ACS.

Expand Survey Coverage

Lastly, steps to improve federal data collection and leverage existing data resources are also in order. Some improvements could be made to the AHS to increase its value for studying rental affordability, especially in the areas of housing and neighborhood quality. Another important step would be to improve the accuracy of the income responses (steps are already underway at HUD and the Census Bureau to do just that).

It would also be particularly valuable to have a federal dataset that followed households through time *and* had detailed housing characteristics—essentially an AHS but that was a survey that tracked households through time rather than housing units. Being able to track households is especially important for rental housing studies, since a third or more of all renters move in any given year. The PSID is a logical choice for achieving this objective. All that would be needed is the addition of housing questions sufficient to capture housing quality characteristics and accurately record housing expenses.[15] However, the limited sample size of the PSID precludes disaggregating the data by location or population group.

[15] Contract rent has been recorded in many PSID years, but utilities expenses are collected only occasionally (Hill, 2003, p. 23).

CONCLUSION

Several conclusions can be drawn from the foregoing discussion. First, rental affordability is a difficult concept to define, involves subjective judgments and the application of normative standards to assign the labels affordable and unaffordable to a household's condition or to a rental unit. Second measuring rental affordability involves many operational decisions that can lead to dissimilar estimates of seemingly identical or similar measures. Third, despite these differences, at least some conclusions can be drawn even if the precise estimates backing these conclusions vary. Fourth, estimates will likely continue to vary because it is unlikely that all analysts will agree upon the same set of assumptions, measures, and datasets to use when quantifying housing affordability problems. Fifth, and as a direct result of these other findings, policy makers must make an extra effort to understand the precise methods used to produce estimates and be cautious in interpreting the meaning of these estimates. Sixth, despite common failings it is likely that the measures now in common use will remain in common use, giving policy makers an imperfect but vital read on housing affordability conditions. Seventh, there are several ways that the analysis of affordability could be expanded and improved. Chief among them are to create hedonic indices so that changes in constant quality rent indices can be compared with changes in constant income indices, to better account for tradeoffs made that lower housing costs but add to other costs, and to try to exploit information in multiple datasets by linking them together using imputations.

The reality is that difficult choices about what measures to use, how to construct them, and how to interpret them are inherent in the concept of rental affordability. Measures of rental affordability are too important to go unexamined, however, and the proper yardsticks for judging when a rent payment is unaffordable, and to whom, are too politically important not to be aired and argued over.

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The Housing Affordability Gap for Extremely Low-Income Renters in 2013

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Since 2000, rents have risen while the number of renters who need low-priced housing has increased. These two pressures make finding affordable housing even tougher for very poor households in America. Nationwide, only 28 adequate and affordable units are available for every 100 renter households with incomes at or below 30 percent of the area median income. Not a single county in the United States has enough affordable housing for all its extremely low-income (ELI) renters. The number of affordable rental homes for every 100 ELI renters ranges from 7 in Osceola County, Florida, to 76 in Worcester County, Maryland.[1]

This brief provides information on national trends in housing affordability for ELI renter households, as well as insights into which major counties are making the most and least progress on closing the housing affordability gap. The findings are based on data from the 2000 Census as well as three-year averages from the 2005, 2006, and 2007 and the 2011, 2012, and 2013 1-year American Community Surveys. For the sake of simplicity we refer to data averaged from 2011–13 estimates as 2013.

This brief is the first publication on housing affordability to combine detailed county-level data on ELI renter households (those with incomes at or below 30 percent of the area median) and the impact of US Department of Housing and Urban Development (HUD) rental assistance. Its four key findings:

- **Supply is not keeping up with demand.** Between 2000 and 2013, the number of ELI renter households increased 38 percent, from 8.2 million to 11.3 million. At the same time, the supply

of adequate, affordable, and available rental homes for these households increased only 7 percent, from 3.0 million to 3.2 million.

- **The gap between ELI renter households and suitable units is widening over time.** From 2000 to 2013, the number of adequate, affordable, and available rental units for every 100 ELI renter households nationwide declined from 37 to 28.
- **Extremely low-income renters increasingly depend on HUD programs for housing.** More than 80 percent of adequate, affordable, and available homes for ELI renter households are HUD-assisted, up from 57 percent in 2000.
- **The supply of adequate, affordable, and available units varies widely across the country.** Among the 100 largest US counties, Suffolk County, which includes Boston, comes closest to meeting its area's need, with 51 units per 100 ELI renter households. Denton County, part of the Dallas-Ft. Worth metropolitan area, has the largest housing gap, with only 8 units per 100 ELI renters. Rust Belt areas (e.g., Detroit, MI; Chicago, IL, and Milwaukee, WI) have seen large declines in adequate, affordable, and available units. Most counties had fewer units available in 2013 than 2000. Notable exceptions to this trend include Suffolk, MA; Los Angeles, CA; and Miami, FL, which have expanded their number of available units since 2000.

To expand on the well-documented challenges of housing affordability for low-income renters, our brief provides county-level estimates of housing affordability, as well as national and state estimates.[2] Our integration of household-level data on assisted households from HUD allows us to show the impact, by county, of federal rental assistance programs on addressing housing needs for ELI renters. It also allows for a more detailed trend analysis of changes in affordability driven by changes in the economy, the rental market, and the availability of rental assistance.

These county estimates provide useful information to national and local policymakers, the media, practitioners, and the public. Local decisionmakers can use this analysis to help guide policymaking and programing toward the housing needs of ELI households.

The Affordability Crisis for Extremely Low-Income Renters

The nationwide lack of sufficient affordable housing for poor households is well documented (see, e.g., HUD 2013 and JCHS 2014). Affordability is a particular challenge for extremely low-income households. HUD sets income limits for its programs, adjusting for household size. In 2013, the ELI limit for a household of four ranged from $12,600 to $32,800, depending on location. In most counties the income limit was $22,000 or less.

Without subsidies, it is nearly impossible to build and operate rental housing that is affordable to ELI renters in most markets (JCHS 2014). Developers cannot make developments targeted to ELI renters "pencil out," meaning that the expected revenue stream from rents is too low to cover the costs of maintaining the property and to pay back the debt incurred in development. The largest subsidy

source for low-income housing development—the Low-Income Housing Tax Credit—is designed to make units affordable to households with incomes at 50–60 percent of area median income (AMI)—up to twice the ELI limit. The assistance available through federal block grant programs (such as the Community Development Block Grant) and most state and local programs cannot keep housing affordable to ELI renters over the long term (Cunningham, Leopold, and Lee 2014).

Meanwhile, the stock of nonsubsidized housing that is affordable to ELI renters has steadily declined. Thirteen percent of unassisted units with rents at or below $400 in 2001 had been demolished by 2011. Nearly half (46 percent) of the remaining units were built before 1960, putting them at high risk of demolition (JCHS 2013).

HUD's rental assistance programs are increasingly the only source of affordable housing for ELI renters in many areas. Unlike other safety net programs—like Social Security, food stamps, Medicaid, or Medicare—housing assistance is not available to all eligible applicants; only 24 percent of the 19 million eligible households receive assistance (JCHS 2013). As a result, millions of low-income individuals and families face serious challenges ranging from severe cost burdens to overcrowding to homelessness.

HUD's biennial Worst Case Needs report documents housing needs for very low income renters (people with incomes no greater than 50 percent of AMI) who do not receive rental assistance. HUD considers two forms of worst-case housing needs: severe rent burden, which means spending 50 percent or more of household income on rent and utilities; and severely inadequate housing, which refers to housing with one or more serious heating, plumbing, and electrical or maintenance problems. HUD found 7.7 million very low income unassisted renters, or 42 percent of renters in this group, had worst-case housing needs in 2013. Severe rent burdens accounted for more than 97 percent of these cases (Steffen et al. 2015). Incidences of worst-case needs have decreased from their peak in 2011, as renters' incomes have risen; still, the number of such needs is 49 percent greater in 2013 than in 2003 (Steffen et al. 2015).

Severe housing needs are so common partly because low-wage workers do not earn enough to afford adequate housing. A worker earning the federal minimum wage would need to work 104 hours a week to afford a typical two-bedroom apartment. Renters on average earn $14.64 an hour, while full-time wage earners on average need to earn $18.92 an hour to afford a two-bedroom apartment (Arnold et al. 2014). At the state level, the average hourly wage a full-time worker needs to earn to afford a two-bedroom apartment range from $12.56 in Arkansas to $31.54 in Hawaii.

BOX 1

An Overview of Federal Rental Assistance

The **Section 8 Housing Choice Voucher Program** (HCV) is the dominant federal program, with over $19 billion in spending in 2014. Through vouchers, it provides households the opportunity to find eligible housing in the private rental market. Approximately 2.1 million low-income families use these tenant-based vouchers, administered by a network of 2,230 public housing authorities (Rice 2014). Vouchers typically help pay the difference between what a family can afford and the actual rent of a unit that meets HUD's health and safety standards, up to a locally determined rent limit. Families are expected to contribute the larger amount of either 30 percent of family income or the minimum rent amount of up to $50. The program particularly targets extremely low-income families; by law, 75 percent of newly admitted households must be ELI. Public housing authorities, or PHAs, can dedicate up to 20 percent of their vouchers for linking vouchers to a specific unit; these "project-based" units are sometimes embedded in affordable multifamily buildings funded through the Low-Income Housing Tax Credit or dedicated to supportive housing to provide an ongoing operating subsidy.

Section 8 Project-Based Rental Assistance operates through an agreement between a private property owner and HUD. The program serves 1.2 million families (CBPP 2013). Tenants must contribute the greater of 30 percent of their income or a minimum rent of $25, while the subsidy compensates the landlord for the remaining costs of operating and maintaining the property. Like the HCV program, project-based rental assistance targets ELI households: by law, at least 40 percent of the assisted units in a development must be designed for ELI households. However, approximately 73 percent of units with project-based assistance are occupied by ELI households. The vast majority of developments were built between the 1960s and 1990s, and the program hasn't added to the supply of new rental homes in many years (Treskon and Cunningham forthcoming).

Public housing units are owned and operated by local public housing agencies. The program currently serves 1.2 million households, 72 percent of which have extremely low incomes. Some public housing developments have been redeveloped as mixed-income properties, primarily through HOPE VI and the Choice Neighborhoods Initiative. Absent these efforts, new public housing is not being developed, and many existing developments have large capital investment needs following years of use and deferred maintenance. HUD's Rental Assistance Demonstration provides a mechanism by which public housing can be converted to property-based Section 8 contracts.

The National Trend Shows Economic Improvements for Renters but Continued Loss of Affordable Rental Housing

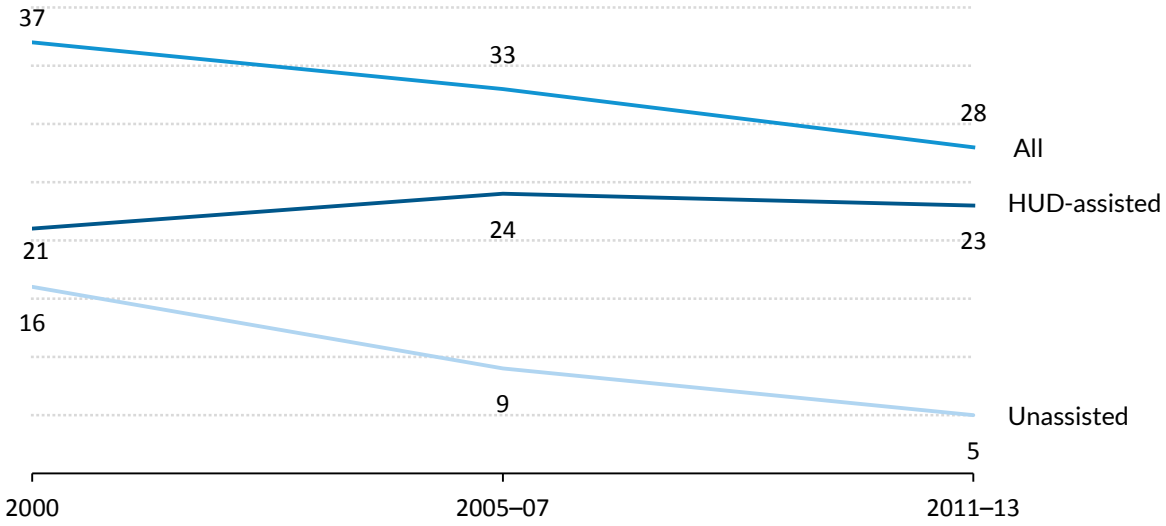
From 2000 to 2013, the share of rental housing that was adequate, affordable, and available to ELI renters went from 37 units per 100 ELI renters to 28—a 24 percent decrease. The change in units is primarily the result of losing unassisted affordable units. While the number of HUD-assisted units for every 100 ELI renters has increased slightly during this period, from 21 to 23, the number of unassisted units has fallen from 16 to 5.

This analysis underscores that the private market alone does not provide enough affordable housing. Federal rental assistance is an important mechanism to preserve affordable and available units, but it is far from keeping pace with need.

FIGURE 1

Available Housing for Extremely Low-Income Renters Has Declined between 2000 and 2013

Affordable units per 100 extremely low-income renter households



Sources: 2000 Decennial Census, and three-year averages from the 2005,2006, and 2007 and 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

HUD Rental Assistance Programs Are the Predominant Source of Affordable Housing for ELI Renters

In 2013, nearly 4.6 million households received rental assistance from HUD. Seventy-five percent of these households (3.4 million) had extremely low incomes, ranging from 72 percent in public housing to 76 percent in the HCV program. The number of families HUD assists and the prevalence of each assistance type has changed between 2000 and 2013 (table 1). Nearly half of assisted ELI renters (1.6 million) participate in the Housing Choice Voucher program, which provides participants with a voucher to rent housing in the private market. More than 750,000 ELI renters live in public housing, and nearly 900,000 live in project-based Section 8 housing.

TABLE 1

ELI Households in HUD-Assisted Housing Have Increased since 2000

	2000	2006	2013
Housing Choice Voucher program	839,420	1,364,437	1,609,798
Multifamily Section 8 program	701,519	857,415	893,257
Public housing	497,019	692,354	769,864
Other HUD programs	811,378	986,448	1,048,131
All	**2,147,817**	**3,043,239**	**3,427,793**

Source: Data provided by the US Department of Housing and Urban Development from the Public and Indian Housing Information Center and the Tenant Rental Assistance Certification System.

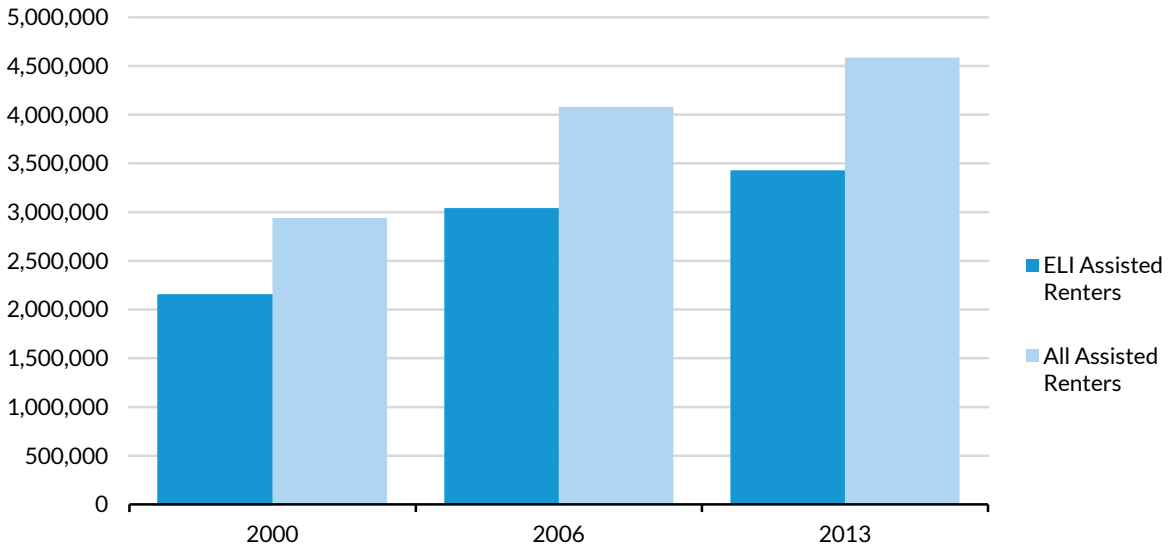
The growth in all programs reflects HUD's strategic goal of increasing housing assistance by 224,000 units, which it mainly achieved by pressing public housing authorities (PHAs) to use their full budget authority and fix uninhabitable units. For example, the American Recovery and Reinvestment Act provided $3 billion for capital improvements to public housing. Some jurisdictions constructed mixed-income developments, shifting some of the public housing stock to vouchers. Progress was made, as indicated in table 1, but sequestration was a major disruption.

Figure 2 shows the total number of renter households and ELI renter households receiving HUD assistance in 2000, 2006, and 2013. The numbers rise steadily, even with a decline in assisted households stemming from the 2013 budget sequestration (Rice 2014). The proportion of HUD-assisted renters that have extremely low incomes has stayed more or less the same during this period.

FIGURE 2

Renters Receiving HUD Assistance Have Risen Steadily since 2000

Total and extremely low-income (ELI) renters receiving HUD rental assistance, 2000–13



Source: Data provided by the US Department of Housing and Urban Development from the Public and Indian Housing Information Center and the Tenant Rental Assistance Certification System.

HUD rental assistance does not guarantee affordability. As shown in figure 3, 26 percent of HUD-assisted ELI renters pay more than 30 percent of their monthly income on housing. The HCV program had the highest percentage of rent-burdened households (42 percent). Rent burden was much lower in public housing (14 percent) and the multifamily Section 8 program (9 percent).

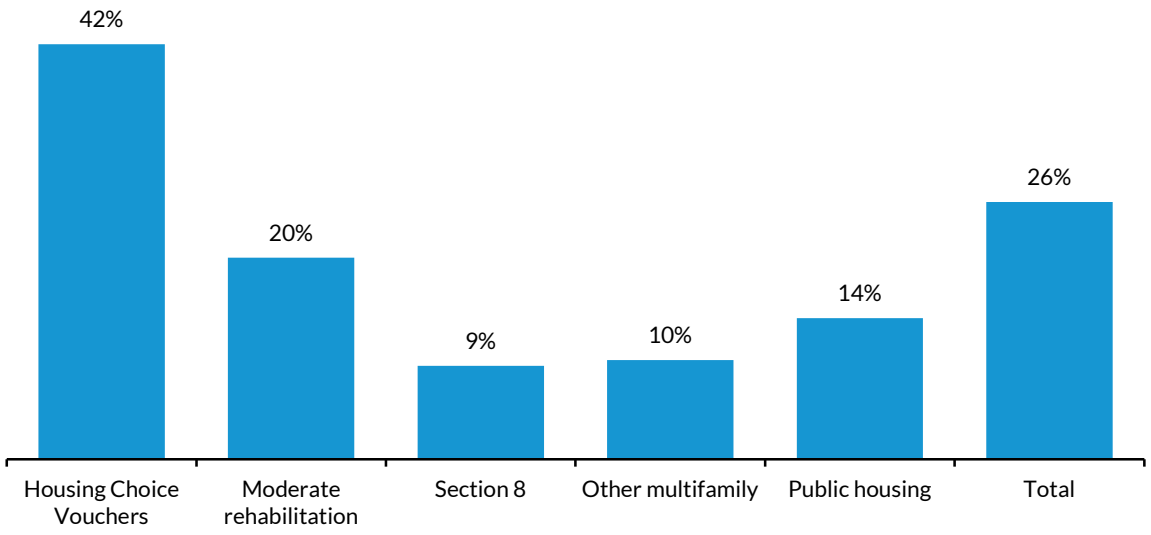
HUD programs provide assistance on a sliding scale, with assisted renters paying 30 percent of their monthly income, after certain adjustments, on housing. However, assisted households can still be rent-burdened for several reasons:

- Minimum rents: PHAs can, and most do, establish a minimum monthly rent of up to $50.
- Alternative rents: Some PHAs have been given the flexibility to implement alternative rents like flat rents, tiered rents, or rents that require households to pay higher percentages of their incomes.
- Renting above the payment standard: Households may rent units that cost more than the local payment standard.

FIGURE 3

A Quarter of HUD-Assisted ELI Renters Are Rent-Burdened

Share of ELI renters paying more than 30% of their income on rent



Source: Data provided by the US Department of Housing and Urban Development from the Public and Indian Housing Information Center and the Tenant Rental Assistance Certification System.

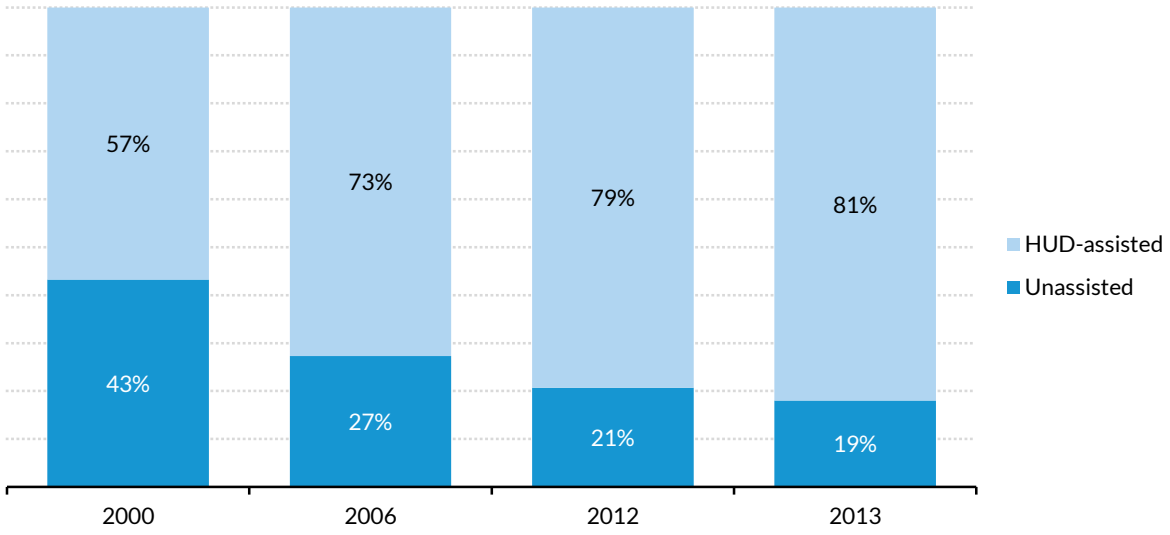
All PHAs set a payment standard, by bedroom size, that dictates the maximum rent they will subsidize for families in the HCV program. If households choose to rent over this limit—to rent a unit in a neighborhood with better schools, for example—they must pay the difference between the market rent and the payment standard. In their first year in the program, households cannot have their rent burden exceed 40 percent. The cap does not apply after the first year. Previous analysis has shown that households renting over the payment standard are the single biggest cause of rent burden, which explains why rent-burden rates are so much higher in the HCV program than in other HUD programs (McClure 2005).

Excluding rent-burdened households, HUD rental assistance programs keep housing affordable for nearly 2.6 million ELI renters. This is roughly four times the number of non-HUD-assisted ELI renters in adequate and affordable housing (610,000). From 2000 to 2013, the number of ELI renter households with adequate and affordable housing through HUD programs has increased from 1.7 million to 2.6 million. By contrast, the number of ELI renters with adequate and affordable housing absent HUD assistance has fallen from 1.3 million to 610,000. In 2000, 57 percent of ELI renters with adequate and affordable housing received HUD assistance; by 2013 that share had risen to 81 percent, reflecting the loss of market-rate affordable housing (figure 4).

FIGURE 4

HUD Assistance Plays a Critical Role in Enabling ELI Renters to Obtain Adequate and Affordable Housing

Share of ELI renters in adequate and affordable housing with and without HUD assistance



Source: ACS and HUD data, 2000–13.

Availability of Adequate and Affordable Rental Housing by County

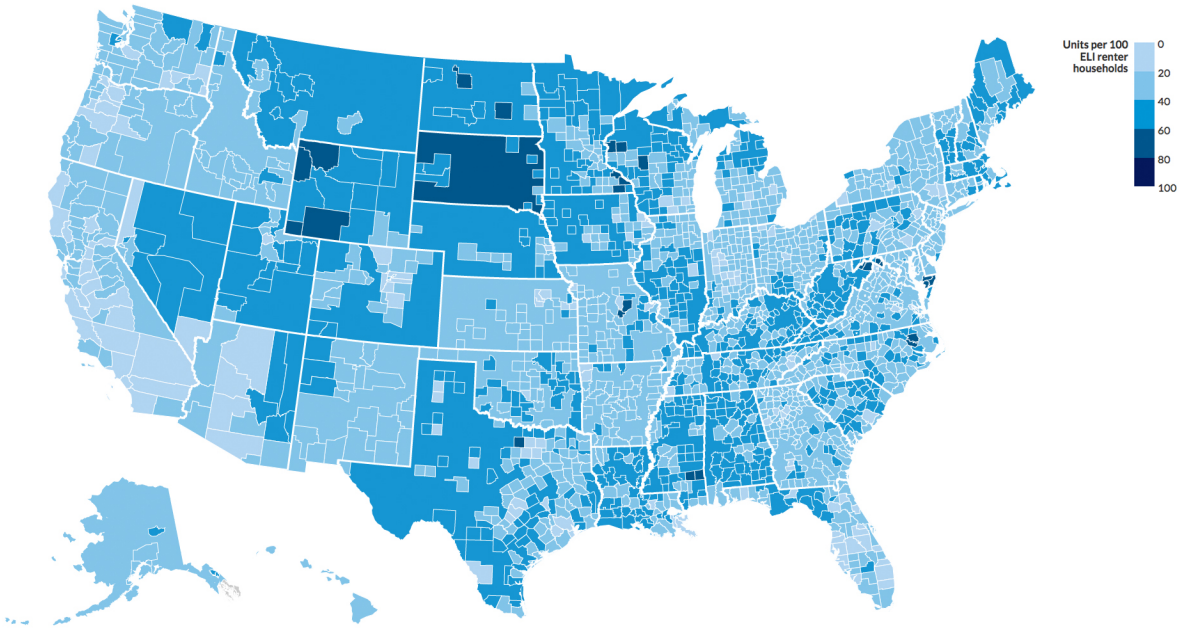
Our interactive map shows the number of adequate, affordable, and available housing units for ELI renters in each county in the United States. For this brief, we focus on the 100 counties with the highest populations as of 2013.[3]

The Northeast Has a Greater Supply of Affordable Housing for Extremely Low-Income Renters than the South or the West

Figure 5 shows the gap between the number of ELI renter households and the number of affordable and adequate rental units available to them in each county nationwide. The lightest areas have the least available and affordable housing for ELI renters and the darkest areas have the most. The affordability gap is lowest in the Northeast, Appalachia, the Midwest, and the Great Plains and is highest in the South and the West. Our related feature article describes how different state and local housing policies can contribute to higher and lower gaps.

FIGURE 5

Number of Adequate, Affordable, and Available Housing Units for Extremely Low-Income Renters by County, 2013



Sources: 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

Table 2 shows which of the 100 largest US counties have the greatest share of adequate, affordable, and available rental units for ELI renters. Suffolk County, which includes Boston, is ranked highest; even Suffolk, however, has only enough adequate, affordable, and available rental units for about half of its ELI renter households. Five of the 10 counties with the smallest affordability gap are in Massachusetts; only one—San Francisco—is outside the Northeast. Counterintuitively, some counties with the most expensive housing markets—including Boston, San Francisco, and Washington, DC—have the smallest gap in units affordable to ELI renters. For the most part, these results reflect a higher proportion of rental units targeted to ELI renters, not fewer ELI renters. The higher share of affordable units may reflect a local, state, or federal decision to focus on ELI households.

TABLE 2

Large Counties with the Smallest Gap in Affordable Units for ELI Renters, 2013

County	Population	ELI renter households	Adequate, affordable, and available units	Units per 100 renters	Rank
Suffolk, MA	745,716	74,262	37,703	51	1
Norfolk, MA	682,501	23,018	10,222	44	2
Essex, MA	756,508	40,208	17,733	44	3
District of Columbia	633,167	52,633	22,300	42	4
Worcester, MA	805,989	37,265	15,612	42	5
Middlesex, MA	1,537,150	60,809	25,376	42	6
Fairfield, CT	933,794	38,710	14,511	37	7
San Francisco, CA	826,626	64,697	23,112	36	8
Hartford, CT	897,426	43,454	15,442	35	9
Allegheny, PA	1,229,582	51,549	18,260	35	10

Source: Three-year averages from the 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

Denton County, Texas, part of the Dallas-Ft. Worth metropolitan area, has roughly 8 adequate, affordable, and available units for every 100 ELI renters, the greatest gap of any large county (table 3). Eight of the 10 counties with the biggest gap in affordability for ELI renters are in Georgia, Florida, or Texas; Clark County, Nevada, which includes Las Vegas, and San Joaquin, California, which includes Fresno, are the two exceptions.

The counties with the largest affordability gap typically have both fewer ELI renters and far fewer affordable rentals than the counties with the smallest gap. For example, Suffolk County has a similar total population as Denton County (745,716 vs. 707,550), and nearly five times as many ELI renters (74,262 vs. 14,924). But Suffolk has more than 30 times more affordable units for ELI renters than Denton (37,703 vs. 1,207). Clark County, Nevada, which includes Las Vegas, has a population of more than 2 million but one-third of the affordable units of Washington, DC, which has a population of less than 650,000. This disparity is partly the result of federal rental assistance not keeping pace with population growth in the South and Southwest. For example, Suffolk County has over 32,000 federally assisted units, and Denton has roughly 1,000, and partly a result of differences in state and local investments in affordable housing development and preservation. For example, Massachusetts has a number of state-run programs to supplement federal rental assistance.[4]

TABLE 3

Large Counties with the Biggest Gap in Affordable Units for ELI Renters, 2013

County	Population	ELI renter households	Adequate, affordable, and available units	Units per 100 renters	Rank[a]
Denton, TX	707,550	14,924	1,207	8	97
Gwinnett, GA	841,658	17,155	1,494,	9	96
Cobb, GA	707,248	19,510	1,767	9	95
Orange, FL	1,198,989	37,165	3,730	10	94
Clark, NV	1,997,371	66,336	7,998	12	93
Lee, FL	645,681	13,059	1,696	13	92
DeKalb, GA	706,093	30,682	4,325	14	91
San Joaquin, CA	700,220	22,831	3,306	14	90
Travis, TX	1,093,138	48,056	6,979	15	89
Collin, TX	834,110	13,433	1,959	15	88

Source: Three-year averages from the 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

[a] Four of the 100 largest counties in the United States are in New York City. Because the five New York City counties are combined in this analysis, the lowest ranking number is 97.

Boston, Los Angeles, and Miami Made the Most Progress in Closing the Affordability Gap from 2000 to 2013; Detroit Fell the Furthest Behind

Only 9 of the 100 largest counties increased the number of affordable units available per 100 ELI renters from 2000 to 2013 (table 4). Each county with a positive trend closed the gap by increasing the number of units affordable to ELI renters rather than decreasing the number of ELI renter households. Suffolk County led the way, increasing the number of units available for every 100 ELI renters from 48 to 51. Unfortunately, while these counties saw improvements in the proportion of rentals affordable to ELI renters, none were able to add enough units to match the increase in ELI renters. For example, Los Angeles added roughly 38,200 units affordable to ELI renters between 2000 and 2013, but it had an increase of 137,000 ELI renter households.

Wayne County, Michigan, which includes Detroit, and Will County, Illinois, provide contrasting examples of how counties can lose ground in this area. In Wayne County, the negative trend is the result of a precipitous drop in the supply of affordable housing for ELI renters, from about 48,000 units to about 24,500. By comparison, in Will County the number of units affordable to ELI renters stayed more or less the same, but the number of ELI renter households nearly doubled, from 5,900 to 11,100. Many counties that have lost the most affordable housing per 100 ELI renters are large Midwestern counties, such as Wayne County, Cook County (Chicago), and Milwaukee County (Milwaukee).

TABLE 4

Counties with the Most Positive Affordability Trends for ELI Renters, 2000–13

	ELI Renter Households		Adequate, Affordable, and Available Units		Units per 100 Renters			
County	2000	2013	2000	2013	2000	2013	Difference	Rank
Suffolk, MA	57,132	74,262	27,281	37,703	47.8	50.8	3.1	1
Los Angeles, CA	383,332	535,214	58,780	94,672	15.3	17.7	2.4	2
Kern, CA	17,459	26,549	2,377	4,239	13.6	16.0	2.4	3
Bergen, NJ	19,474	28,429	4,905	7,775	25.2	27.3	2.2	4
New York, NY	589,726	643,243	192,995	220,121	32.7	34.2	1.5	5
San Francisco, CA	48,847	64,698	16,882	23,112	34.6	35.7	1.2	6
Orange, CA	71,254	106,204	11,532	18,108	16.2	17.1	0.9	7
Miami-Dade, FL	87,982	115,281	22,203	29,789	25.2	25.8	0.6	8
Fresno, CA	25,350	38,484	4,549	6,987	17.9	18.2	0.2	9
San Diego, CA	77,359	120,135	13,566	20,376	17.5	17.0	-0.5	10

Source: 2000 Decennial Census and three-year averages from the 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

TABLE 5

Counties with the Worst Affordability Trends for ELI Renters, 2000–13

	ELI Renter Households		Adequate, Affordable, and Available Units		Units per 100 Renters			
County	2000	2013	2000	2013	2000	2013	Difference	Rank[a]
Wayne, MI	88,945	99,699	48,069	24,458	54.0	25.5	-28.5	97
Shelby, TN	33,966	40,861	13,575	6,866	40.0	16.8	-23.2	96
Will, IL	5,921	10,080	2,988	2,758	50.5	27.4	-23.1	95
Lee, FL	7,568	13,059	2,494	1,696	33.0	13.0	-20.0	94
Milwaukee, WI	47,944	66,421	19,159	13,641	40.0	20.5	-19.5	93
Fulton, GA	43,626	49,586	21,057	14,345	48.3	28.9	-19.3	92
Macomb, MI	13,249	22,435	5,461	4,987	41.2	22.2	-19.0	91
Jefferson, AL	25,237	29,591	13,177	10,138	52.2	34.3	-18.1	90
Duval, FL	23,391	33,141	10,648	9,266	45.5	28.0	-17.5	89
Cook, IL	249,920	255,759	103,324	62,840	41.3	24.6	-16.8	88

Source: Three-year averages from the 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

[a] Four of the 100 largest counties in the United States are in New York City. Because the five New York City counties are combined in this analysis, the lowest ranking number is 97.

Conclusion

Housing affordability is an ongoing challenge for households throughout the United States, but it creates the greatest stress for the poorest households. Since 2000 the number of extremely low-income renters has increased substantially while the stock of adequate, affordable, and available rental units for these households has continued to erode. This erosion is driven by both the continued loss of affordable market-rate housing and the budget cuts to HUD rental assistance programs. As this brief demonstrates, without vital federal rental assistance, the magnitude of this problem would be much greater. Simply put, virtually no affordable housing units would be available to ELI households absent the continued investment in federally assisted rental housing.

The provision of adequate affordable housing for ELI households requires more than federal funding. It requires a functioning local housing market and ecosystem that draws on resources from and leverages coordination between federal, state, and local actors. The approach cities and counties take to solving the affordability crisis for ELI households is a function of several things, some within the control of a local jurisdiction and some not.

Local resource commitment: In the current constrained budget climate, cities are able to devote fewer resources to housing for ELI households. Yet some cities have created local revenue sources, either one time or ongoing, that can be used to build and maintain affordable housing. Some of these strategies include using general obligation bonds, local housing trust funds, or property tax set-asides to finance the construction of affordable rental housing and/or cover operating costs.

Resource targeting: Federal rental assistance can serve households earning up to 80 percent of area median income. In reality, it mostly serves households earning at or below 30 percent of AMI. However, rent levels that are affordable to ELI households often involve the creative layering of federal, state, and local resources (such as tax credits and housing subsidies), or they require deep, ongoing subsidies for property operations. Local communities can target this array of resources to serve extremely low-income households through local preservation strategies and other forms of rental assistance. To makes these approaches systemic versus episodic requires coordinated action and investment by local actors from the nonprofit, philanthropic, public, and for-profit sectors and a clear understanding of the target population and specific affordability challenges.

State support: The state-level fiscal, regulatory, and programmatic environment can either help or hinder local action. Some states have adopted policies that outlaw local zoning practices that generate more affordable housing, such as inclusionary zoning. Other states have created housing assistance programs or tax credit programs that supplement local action.

Legacy of federal investments: How and where federal housing resources are allocated is a function of history and past decisionmaking. These allocations were partly a function of city size and need at the time. Older large cities such New York, Los Angeles, Baltimore, Boston, and Chicago benefited early from federal housing investments. More recent large cities such Dallas, Houston, Phoenix, and San Jose do not have the same distribution of federally assisted housing, largely because their accelerated

growth happened after the major allocations of federal rental assistance. In addition to demonstrating a large need, Northeast cities in particular had strong local political will, which helped them benefit from early federal investment in affordable rental housing. For the most part, these cities have been good stewards of these early investments and have sought to stem the loss of affordable rental housing and even add to the stock. Some cities have more tools to work with than others, but cities and even states cannot do it alone. As the need grows in cities and counties, these local governments are unlikely to keep pace without additional federal investment in rental assistance for ELI households.

Appendix. Where Our Numbers Come From

The primary data source for this analysis is household-level records from the 2000 Census and 3-year averages of the one-year American Community Survey (ACS) for 2005, 2006, and 2007, and for 2011, 2012, and 2013. Household-level records from this dataset were downloaded from the University of Minnesota's Integrated Public Use Microdata Series. This dataset provides information on households' income, demographics, housing units, and housing-related expenses. We applied HUD data on income limits to identify renters with extremely low incomes.[5]

To determine renters' housing costs, we used the RENT variable from the ACS, which asks "What is the monthly rent for this house, apartment, or mobile home?" We applied HUD's annual income limits to calculate affordability: if the reported monthly rent and utilities from ACS were less than or equal to 30 percent of the income limit for ELI households in that area, the unit was considered affordable.[6] We then added vacant units affordable to ELI renters. Finally, we subtracted both vacant and occupied substandard units, defined as those with incomplete plumbing or missing kitchen or cooking facilities. This provided the total number of adequate, affordable, and available units.

Units adequate, affordable, and available to ELI renter households = Affordable occupied units + affordable vacant units – units occupied by higher-income renters – substandard occupied units – substandard vacant units

We divided the number of adequate, affordable, and available units by the number of ELI renter households, then multiplied by 100. The result was the number of units per 100 ELI renter households, both nationwide and by county.

Adequate, affordable, and available units per 100 ELI renters = [(Total ELI renters – units affordable to ELI renters)/ Total ELI renters]*100

To examine the role of HUD's rental assistance programs, we used a dataset provided by HUD. The dataset provided information by county on the number of assisted households, their income levels, and rent burdens for each of HUD's rental assistance programs from 2000 to 2013.[7] We took the total number of units adequate, affordable, and available to ELI renters and subtracted units in which ELI households were receiving HUD rental assistance to estimate how many rental units would be affordable to ELI renters without HUD rental assistance programs.

Affordable units without HUD assistance = Total affordable units – (HUD-assisted, affordable, and adequate units)

Our methodology differs from our 2014 analysis of the affordability gap for ELI renter households in two key areas. First, to increase our sample size and thus the reliability of local estimates, we used 3-year averages rather than relying on the 1-year ACS estimates. Second, in last year's report, we assumed that all ELI renters receiving HUD assistance were in affordable housing. Thus, the number of affordable units for ELI renters was calculated by subtracting all ELI renter households receiving HUD assistance from the total number of affordable units. This year we received data from HUD on the rent burden of ELI renters receiving HUD rental assistance. Using these new data, we removed the units of

HUD-assisted renters who were rent-burdened or in inadequate housing before calculating the impact of HUD programs on the affordability gap.

Our methodology has several important limitations, which we will work to address in future iterations of our analysis. The first limitation is small sample sizes for county-level estimates. The ACS typically samples roughly 1 percent of the total population (Census Bureau 2013). This process yields a large sample for national analysis, but the sample size for any particular county is much smaller; the sample for a particular subset within that county, such as extremely low-income renters, is smaller still. As a result, for smaller counties—those with fewer than 20,000 residents—we are unable to reliably provide a county estimate and instead rely on statewide averages.

The second limitation is that the Census Bureau no longer includes a question about households' receipt of government housing assistance in either the ACS or the decennial census. This creates challenges when using ACS data to measure housing affordability. Housing Choice Voucher recipients should report the full rent amount (including what the voucher covers) to the ACS, but many report their own monthly payments instead. An internal Census Bureau analysis of subsidized renters in California estimated that 40 percent of these households reported their own rent contribution to the ACS, 32 percent reported the total monthly rent, and the other 28 percent reported an amount that did not match either their rent contribution or the full monthly rent. Conversely, some households receiving tenant-based rental assistance report the value of their voucher as part of their income to the Census Bureau—overstating the impact of rental assistance on households' rent burden.

For our analysis, we assume that subsidized renters report their monthly rent payments to the ACS rather than the full rent. However, based on the Census Bureau's analysis, this may be true for less than half of assisted households. As a result, we may underestimate the availability of affordable housing by failing to capture the value of the rent subsidy for households that report the full market rent of their unit to the ACS. For future reports, we will explore whether we can adjust our methodology to reflect the uncertainty of how subsidized renters report their housing expenses to the ACS.

Also for future reports, we hope to incorporate data from other federal rental assistance programs, such as the US Department of Agriculture's Multi-Family Housing Rental Assistance program and other HUD rental assistance programs, such as for Native Americans. Adding data from these programs will provide a more complete picture of rental assistance, particularly outside metropolitan areas.

Another limitation is that our data do not include homeless individuals, which constituted over 610,000 people at 2013's point-in-time count (Henry, Cortes, and Morris 2013).

APPENDIX TABLE A.1

Availability of Adequate and Affordable Rental Housing for Extremely Low-Income (ELI) Renters in the 100 Largest US Counties, 2013

From most to least affordable

County	State	Total population	ELI renter households	Adequate, affordable, and available rentals	Affordable units per 100 ELI renter households	Rank
Suffolk	MA	745,716	74,262	37,703	50.8	1
Norfolk	MA	682,501	23,018	10,223	44.4	2
Essex	MA	756,508	40,208	17,734	44.1	3
District of Columbia	DC	633,167	52,634	22,300	42.4	4
Worcester	MA	805,989	37,266	15,612	41.9	5
Middlesex	MA	1,537,150	60,810	25,376	41.7	6
Fairfield	CT	933,794	38,710	14,511	37.5	7
San Francisco	CA	826,626	64,698	23,112	35.7	8
Hartford	CT	897,426	43,454	15,442	35.5	9
Allegheny	PA	1,229,582	51,549	18,260	35.4	10
Philadelphia	PA	1,546,770	117,816	41,499	35.2	11
Jefferson	AL	658,601	29,591	10,138	34.3	12
New York	NY	8,341,122	643,243	220,121	34.2	13
Essex	NJ	787,615	57,340	19,595	34.2	14
Hamilton	OH	802,659	52,749	17,972	34.1	15
Jackson	MO	677,502	37,535	12,507	33.3	16
Hennepin	MN	1,184,060	55,135	18,189	33.0	17
Westchester	NY	962,233	38,017	12,354	32.5	18
Jefferson	KY	751,312	36,957	11,756	31.8	19
El Paso	TX	824,916	23,573	7,423	31.5	20
Cuyahoga	OH	1,266,434	75,049	23,361	31.1	21
New Haven	CT	863,217	43,438	13,331	30.7	22
Lake	IL	701,763	16,486	5,029	30.5	23
Davidson	TN	647,670	30,858	9,362	30.3	24
Nassau	NY	1,348,563	26,769	7,911	29.6	25
Hidalgo	TX	805,497	24,008	6,991	29.1	26
Bexar	TX	1,785,855	59,316	17,228	29.0	27
Fulton	GA	970,400	49,586	14,345	28.9	28
Monmouth	NJ	629,754	16,599	4,801	28.9	29
Denver	CO	634,685	41,764	12,074	28.9	30
Montgomery	MD	1,004,242	22,183	6,409	28.9	31
King	WA	2,007,779	83,687	23,621	28.2	32
Duval	FL	879,131	33,141	9,266	28.0	33
Snohomish	WA	733,797	24,172	6,660	27.6	34
Honolulu	HI	974,683	34,437	9,465	27.5	35
Will	IL	681,537	10,080	2,758	27.4	36
Bergen	NJ	919,049	28,429	7,775	27.3	37
Hudson	NJ	652,921	39,544	10,757	27.2	38
Erie	NY	919,332	41,314	11,159	27.0	39
Alameda	CA	1,554,725	74,913	19,711	26.3	40

County	State	Total population	ELI renter households	Adequate, affordable, and available rentals	Affordable units per 100 ELI renter households	Rank
Fairfax	VA	1,117,918	22,323	5,843	26.2	41
Suffolk	NY	1,499,091	31,588	8,264	26.2	42
Miami-Dade	FL	2,592,201	115,281	29,789	25.8	43
Ventura	CA	834,880	23,113	5,971	25.8	44
Wayne	MI	1,789,819	99,699	25,458	25.5	45
Prince George's	MD	881,876	29,694	7,416	25.0	46
Cook	IL	5,227,094	255,759	62,840	24.6	47
Franklin	OH	1,195,915	59,062	14,389	24.4	48
Santa Clara	CA	1,836,454	65,983	15,940	24.2	49
Contra Costa	CA	1,079,460	36,578	8,750	23.9	50
Oakland	MI	1,221,103	30,690	7,265	23.7	51
Middlesex	NJ	822,933	29,979	7,090	23.6	52
Macomb	MI	848,455	22,435	4,987	22.2	53
Montgomery	PA	808,846	18,697	4,149	22.2	54
Baltimore	MD	817,791	25,404	5,571	21.9	55
Monroe	NY	748,221	35,118	7,630	21.7	56
Bernalillo	NM	672,027	29,411	6,388	21.7	57
Oklahoma	OK	742,641	30,468	6,496	21.3	58
St. Louis	MO	1,000,363	29,835	6,200	20.8	59
Milwaukee	WI	953,901	66,421	13,641	20.5	60
DuPage	IL	927,775	16,001	3,235	20.2	61
Wake	NC	951,834	28,487	5,750	20.2	62
Hillsborough	FL	1,280,536	41,766	8,307	19.9	63
Marion	IN	919,356	51,544	10,085	19.6	64
Multnomah	OR	757,738	40,498	7,872	19.4	65
San Mateo	CA	738,114	22,430	4,241	18.9	66
Pima	AZ	992,286	40,447	7,560	18.7	67
Pinellas	FL	922,744	26,608	4,957	18.6	68
Riverside	CA	2,264,491	56,844	10,509	18.5	69
Fresno	CA	947,942	38,484	6,987	18.2	70
Palm Beach	FL	1,354,932	40,267	7,309	18.2	71
Salt Lake	UT	1,063,941	27,523	4,929	17.9	72
Pierce	WA	811,730	25,763	4,588	17.8	73
El Paso	CO	645,787	18,978	3,359	17.7	74
Los Angeles	CA	9,951,320	535,214	94,672	17.7	75
Sacramento	CA	1,448,487	66,416	11,554	17.4	76
Orange	CA	3,084,550	106,204	18,108	17.1	77
San Diego	CA	3,175,313	120,135	20,376	17.0	78
Dallas	TX	2,447,575	101,007	17,106	16.9	79
Shelby	TN	937,748	40,861	6,866	16.8	80
Broward	FL	1,812,793	57,465	9,392	16.3	81
Kern	CA	856,363	26,549	4,239	16.0	82
Harris	TX	4,255,830	152,692	23,462	15.4	83
Tarrant	TX	1,880,361	61,493	9,318	15.2	84
Mecklenburg	NC	967,906	35,788	5,421	15.1	85

County	State	Total population	ELI renter households	Adequate, affordable, and available rentals	Affordable units per 100 ELI renter households	Rank
San Bernardino	CA	2,076,322	59,923	8,857	14.8	86
Maricopa	AZ	3,939,668	124,368	18,346	14.8	87
Collin	TX	834,110	13,434	1,959	14.6	88
Travis	TX	1,093,138	48,057	6,980	14.5	89
San Joaquin	CA	700,220	22,831	3307	14.5	90
DeKalb	GA	706,093	30,682	4,325	14.1	91
Lee	FL	645,681	13,059	1,696	13.0	92
Clark	NV	1,997,371	66,336	7,998	12.1	93
Orange	FL	1,198,989	37,166	3,731	10.0	94
Cobb	GA	707,248	19,510	1,768	9.1	95
Gwinnett	GA	841,658	17,156	1,494	8.7	96
Denton	TX	707,550	14,924	1,207	8.1	97

Sources: 2000 Decennial Census, and three-year averages from the 2005,2006, and 2007 and 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

Note: Four of the 100 largest counties in the United States are in New York City. Because the five New York City counties are combined in this analysis, the lowest ranking number is 97.

APPENDIX TABLE A.2

Trends in Affordability for Extremely Low-Income (ELI) Renters in the 100 Largest US Counties, 2000–13

By most to least positive

County	State	ELI Renter Households		Adequate, Affordable, and Available Units		Affordable Units per 100 ELI Renter Households		Difference, 2000–13	Rank
		2000	2013	2000	2013	2000	2013		
Suffolk	MA	57,132	74,262	27,281	37,703	47.8	50.8	3.0	1
Los Angeles	CA	383,332	535,214	58,780	94,672	15.3	17.7	2.4	2
Kern	CA	17,459	26,549	2,377	4,239	13.6	16.0	2.4	3
Bergen	NJ	19,474	28,429	4,905	7,775	25.2	27.3	2.2	4
New York	NY	589,726	643,243	192,995	220,121	32.7	34.2	1.5	5
San Francisco	CA	48,847	64,698	16,882	23,112	34.6	35.7	1.2	6
Orange	CA	71,254	106,204	11,532	18,108	16.2	17.1	0.9	7
Miami-Dade	FL	87,982	115,281	22,203	29,789	25.2	25.8	0.6	8
Fresno	CA	25,350	38,484	4,549	6,987	17.9	18.2	0.2	9
San Diego	CA	77,359	120,135	13,566	20,376	17.5	17.0	-0.6	10
Sacramento	CA	40,354	66,416	7,272	11,554	18.0	17.4	-0.6	11
Pierce	WA	17,212	25,763	3,181	4,588	18.5	17.8	-0.7	12
Hennepin	MN	35,793	55,135	12,161	18,189	34.0	33.0	-1.0	13
Alameda	CA	54,253	74,913	14,822	19,711	27.3	26.3	-1.0	14
Monroe	NY	26,270	35,118	6,004	7,630	22.9	21.7	-1.1	15
Riverside	CA	31,695	56,844	6,248	10,509	19.7	18.5	-1.2	16
Montgomery	MD	18,104	22,183	5,498	6,409	30.4	28.9	-1.5	17
El Paso	TX	16,929	23,573	5,607	7,423	33.1	31.5	-1.6	18
Ventura	CA	15,984	23,113	4,394	5,971	27.5	25.8	-1.7	19
Prince George's	MD	22,879	29,694	6,095	7,416	26.6	25.0	-1.7	20
Suffolk	NY	23,300	31,588	6,504	8,264	27.9	26.2	-1.8	21
San Mateo	CA	13,898	22,430	2,880	4,241	20.7	18.9	-1.8	22
El Paso	CO	9,876	18,978	1,953	3,359	19.8	17.7	-2.1	23
San Joaquin	CA	15,032	22,831	2,519	3,307	16.8	14.5	-2.3	24
Worcester	MA	25,148	37,266	11,200	15,612	44.5	41.9	-2.6	25
King	WA	57,032	83,687	17,737	23,621	31.1	28.2	-2.9	26
Travis	TX	31,237	48,057	5,474	6,980	17.5	14.5	-3.0	27
Essex	MA	30,254	40,208	14,292	17,734	47.2	44.1	-3.1	28
San Bernardino	CA	41,253	59,923	7,426	8,857	18.0	14.8	-3.2	29
Hudson	NJ	34,344	39,544	10,491	10,757	30.5	27.2	-3.3	30
Broward	FL	42,510	57,465	8,502	9,392	20.0	16.3	-3.7	31
Baltimore	MD	16,236	25,404	4,207	5,571	25.9	21.9	-4.0	32
Fairfax	VA	14,104	22,323	4,253	5,843	30.2	26.2	-4.0	33
Middlesex	MA	42,927	60,810	19,625	25,376	45.7	41.7	-4.0	34
Philadelphia	PA	89,798	117,816	35,264	41,499	39.3	35.2	-4.0	35
DuPage	IL	10,603	16,001	2,577	3,235	24.3	20.2	-4.1	36
Bernalillo	NM	17,002	29,411	4,388	6,388	25.8	21.7	-4.1	37
Norfolk	MA	14,382	23,018	6,979	10,223	48.5	44.4	-4.1	38
Nassau	NY	20,527	26,769	6,982	7,911	34.0	29.6	-4.5	39
Salt Lake	UT	16,215	27,523	3,664	4,929	22.6	17.9	-4.7	40

County	State	ELI Renter Households		Adequate, Affordable, and Available Units		Affordable Units per 100 ELI Renter Households		Difference,	Rank
		2000	2013	2000	2013	2000	2013	2000–13	
Santa Clara	CA	43,116	65,983	12,489	15,940	29.0	24.2	-4.8	41
Pima	AZ	25,419	40,447	6,043	7,560	23.8	18.7	-5.1	42
Bexar	TX	36,710	59,316	12,674	17,228	34.5	29.0	-5.5	43
Snohomish	WA	13,008	24,172	4,303	6,660	33.1	27.6	-5.5	44
Westchester	NY	38,451	38,017	14,747	12,354	38.4	32.5	-5.9	45
Clark	NV	35,284	66,336	6,587	7,998	18.7	12.1	-6.6	46
Hillsborough	FL	26,607	41,766	7,081	8,307	26.6	19.9	-6.7	47
St. Louis	MO	16,638	29,835	4,607	6,200	27.7	20.8	-6.9	48
Contra Costa	CA	21,642	36,578	6,681	8,750	30.9	23.9	-6.9	49
Maricopa	AZ	69,925	124,368	15,236	18,346	21.8	14.8	-7.0	50
Montgomery	PA	11,340	18,697	3,316	4,149	29.2	22.2	-7.0	51
Monmouth	NJ	12,910	16,599	4,728	4,801	36.6	28.9	-7.7	52
Denton	TX	10,341	14,924	1,667	1,207	16.1	8.1	-8.0	53
Erie	NY	35,378	41,314	12,414	11,159	35.1	27.0	-8.1	54
Multnomah	OR	25,553	40,498	7,112	7,872	27.8	19.4	-8.4	55
Hartford	CT	30,870	43,454	13,566	15,442	43.9	35.5	-8.4	56
Middlesex	NJ	19,015	29,979	6,126	7,090	32.2	23.6	-8.6	57
Allegheny	PA	39,794	51,549	17,520	18,260	44.0	35.4	-8.6	58
Essex	NJ	53,310	57,340	22,806	19,595	42.8	34.2	-8.6	59
Dallas	TX	78,282	101,007	20,070	17,106	25.6	16.9	-8.7	60
Pinellas	FL	21,268	26,608	5,817	4,957	27.4	18.6	-8.7	61
Honolulu	HI	29,315	34,437	10,639	9,465	36.3	27.5	-8.8	62
Gwinnett	GA	6,684	17,156	1,189	1,494	17.8	8.7	-9.1	63
Orange	FL	21,150	37,166	4,061	3,731	19.2	10.0	-9.2	64
Harris	TX	119,594	152,692	29,672	23,462	24.8	15.4	-9.4	65
Palm Beach	FL	24,940	40,267	6,950	7,309	27.9	18.2	-9.7	66
Oklahoma	OK	21,613	30,468	6,726	6,496	31.1	21.3	-9.8	67
Denver	CO	29,865	41,764	11,582	12,074	38.8	28.9	-9.9	68
New Haven	CT	32,360	43,438	13,157	13,331	40.7	30.7	-10.0	69
DeKalb	GA	19,051	30,682	4,747	4,325	24.9	14.1	-10.8	70
Jefferson	KY	24,944	36,957	10,642	11,756	42.7	31.8	-10.9	71
Jackson	MO	24,501	37,535	10,824	12,507	44.2	33.3	-10.9	72
Lake	IL	9,759	16,486	4,042	5,029	41.4	30.5	-10.9	73
Franklin	OH	43,838	59,062	15,513	14,389	35.4	24.4	-11.0	74
Wake	NC	15,633	28,487	4,908	5,750	31.4	20.2	-11.2	75
Oakland	MI	20,764	30,690	7,275	7,265	35.0	23.7	-11.4	76
Collin	TX	5,347	13,434	1,390	1,959	26.0	14.6	-11.4	77
Hidalgo	TX	13,559	24,008	5,514	6,991	40.7	29.1	-11.5	78
Cobb	GA	10,728	19,510	2,211	1,768	20.6	9.1	-11.5	79
Tarrant	TX	38,937	61,493	10,650	9,318	27.4	15.2	-12.2	80
Hamilton	OH	35,445	52,749	16,699	17,972	47.1	34.1	-13.0	81
Marion	IN	29,319	51,544	9,644	10,085	32.9	19.6	-13.3	82
Cuyahoga	OH	61,369	75,049	27,296	23,361	44.5	31.1	-13.4	83
Fairfield	CT	30,154	38,710	15,412	14,511	51.1	37.5	-13.6	84
Davidson	TN	26,492	30,858	11,908	9,362	44.9	30.3	-14.6	85

County	State	ELI Renter Households		Adequate, Affordable, and Available Units		Affordable Units per 100 ELI Renter Households		Difference,	
		2000	2013	2000	2013	2000	2013	2000–13	Rank
District of Columbia	DC	52,474	52,634	30,365	22,300	57.9	42.4	-15.5	86
Mecklenburg	NC	17,733	35,788	5,580	5,421	31.5	15.1	-16.3	87
Cook	IL	249,920	255,759	103,324	62,840	41.3	24.6	-16.8	88
Duval	FL	23,391	33,141	10,648	9,266	45.5	28.0	-17.6	89
Jefferson	AL	25,237	29,591	13,177	10,138	52.2	34.3	-18.0	90
Macomb	MI	13,249	22,435	5,461	4,987	41.2	22.2	-19.0	91
Fulton	GA	43,626	49,586	21,057	14,345	48.3	28.9	-19.3	92
Milwaukee	WI	47,944	66,421	19,159	13,641	40.0	20.5	-19.4	93
Lee	FL	7,568	13,059	2,494	1695.67	33.0	13.0	-20.0	94
Will	IL	5,921	10,080	2,988	2,758	50.5	27.4	-23.1	95
Shelby	TN	33,966	40,861	13,575	6,866	40.0	16.8	-23.2	96
Wayne	MI	88,945	99,699	48,069	25,458	54.0	25.5	-28.5	97

Sources: 2000 Decennial Census, and three-year averages from the 2005,2006, and 2007 and 2011, 2012, and 2013 ACS 1-year sample data from the Integrated Public Use Microdata Series merged with data from HUD on income limits and households receiving rental assistance.

Note: Four of the 100 largest counties in the United States are in New York City. Because the five New York City counties are combined in this analysis, the lowest ranking number is 97.

Notes

1. Three other counties also had 75 adequate, affordable, and available units for every 100 ELI renters: Allegan County, Michigan, Lincoln County, Missouri, and Jefferson County, West Virginia. This analysis excludes counties with fewer than 10 ELI renters surveyed as part of the 2013 American Community Survey.
2. See the appendix for a detailed description of how we constructed county-level estimates from the Integrated Public Use Microdata Series dataset.
3. New York City is technically five separate counties, but for this analysis they are grouped as one.
4. Matthew Johnson, "Stepping Up: How Cities Are Working to Keep America's Poorest Families Housed," http://www.urban.org/features/stepping-how-cities-are-working-keep-americas-poorest-families-housed.
5. HUD income limits are available at http://www.huduser.org/portal/datasets/il.html.
6. Because the ACS does not include a variable that indicates whether utility costs are included in the rent, we calculate the difference in gross rent and contract rent for each renter-occupied household, as explained in the appendix.
7. The HUD data were broken out into the following program categories: HCV program, public housing, moderate rehabilitation program, multifamily Section 8 contracts, and other multifamily programs.

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