

OUT OF REACH²⁰¹⁶



No Refuge
for Low
Income
Renters

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NATIONAL LOW INCOME HOUSING COALITION

Established in 1974 by Cushing N. Dolbeare, the National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone.

NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions. Permission to reprint portions of this report or the data therein is granted, provided appropriate credit is given to the National Low Income Housing Coalition. Additional copies of *Out of Reach* are available from NLIHC.

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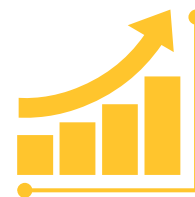
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PREFACE

BY JULIÁN CASTRO,

SECRETARY OF THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Nearly a century ago, President Theodore Roosevelt became the nation's first chief executive to propose federal investment to create housing specifically for low-income Americans. It was a monumental step in the long march toward ensuring that a decent, affordable home is available to every citizen. And it spoke to a fundamental truth that has long been at the heart of the National Low Income Housing Coalition's (NLIHC) work: Our nation can't fulfill any of our major goals — whether it's tackling inequality, improving healthcare, keeping neighborhoods safe, or making sure every child gets a good education — unless we also focus on housing. That is because housing is one of the most basic needs we have, a need that is as much about how we live as about where we live.

In the years since President Roosevelt's bold stand, we've come together, time and again, to expand the promise of a good home to more families. We did that through the creation of the Federal Housing Administration and by building public housing as part of President Franklin Roosevelt's New Deal. We did it through the passage of the Fair Housing Act in 1968, which continues to help foster a housing market that is free from discrimination. We did it in the 1990s, when we invested new resources to help strengthen rural and urban communities and expand affordable housing across the nation. And, under President Barack Obama's leadership, we've done that over the last seven years by supporting our housing market's recovery, preserving public housing, joining forces with states, cities, towns, and tribal communities to help end homelessness, and fighting to make our rental market more affordable.

We've achieved a lot together. But as the report you're about to read shows, we have a lot of work to do to realize our shared vision of a secure home for every American. Today, there is a shortage of 7.2 million affordable housing units for the nation's more than 10 million extremely low-income families. It's a crisis that is making it ever harder for families to find housing and forcing many people to choose between doubling up in a friend's apartment or sleeping in their car. As difficult as it can be to find a home, keeping that home can be just as daunting.

Three-quarters of extremely low-income families pay more than half of their income just to keep a roof over their heads, leaving less money for food, child care, transportation, and so many other basic necessities.

And it's not just people of very modest means who are working harder to make ends meet. Last year, rising rents in a number of cities outpaced the rate of inflation, which is hurting low- and moderate-income Americans. I learned of one San Jose family in which both parents worked full-time but the only place they could afford was at a local homeless shelter. The crisis is also affecting seniors, many of whom live on fixed incomes. Today, HUD is only able to serve one out of every three seniors who needs our help. And Harvard's Joint Center for Housing Studies calculated that as our nation ages, HUD would need to provide housing support for an additional 900,000 seniors just to keep pace between now and 2030.

Tackling our affordability crisis isn't just the right thing to do — it's also one of the best ways we can invest in our nation's long term growth and competitiveness. That is the message from this year's *Out of Reach* report. This report confirms that investing in affordable housing — as HUD is doing by providing annual housing support for nearly 5.5 million households and through the new National Housing Trust Fund, as part of innovative efforts like the Rental Assistance Demonstration, and with incentives like the Low Income Housing Tax Credit — is one of the most important steps we can take to help people succeed today, and live healthier lives long into the future.

I urge everyone who's moved by what you read here to join us in the cause of ensuring that every American has the opportunity to secure a decent home in a neighborhood of promise. That is the vision we've been fighting to realize for nearly a century. Let's accomplish it for every family in this 21st century and beyond.



HUD Secretary
Julián Castro

“LAST YEAR,
RISING RENTS IN
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AMERICANS.”

INTRODUCTION

NLHC's annual report, *Out of Reach*, documents the gap between wages and the price of housing across the United States. The report's Housing Wage is an estimate of the hourly wage that a full-time worker must earn to afford a modest and safe rental home without spending more than 30% of his or her income on rent and utility costs. This year's findings highlight the struggle faced by millions of families in affording a safe and decent home. Wage stagnation, particularly among lower wage workers, rising rents, and an inadequate supply of affordable housing continue to present significant challenges.

In 2016, the national Housing Wage is \$20.30 for a two-bedroom rental unit and \$16.35 for a one-bedroom rental unit. A worker earning the federal minimum wage of \$7.25 per hour would need to work 2.8 full time jobs, or approximately 112 hours per week for all 52 weeks of the year, in order to afford a two-bedroom apartment at HUD's Fair Market Rent (FMR). If this worker slept for eight hours per night, he or she would have no remaining time during the week for anything other than working and sleeping.



Twenty-nine states, the District of Columbia, and a small number of local jurisdictions have a minimum wage higher than the federal level.

However, in no state, metropolitan area, or county can a full-time worker earning the prevailing minimum wage afford a modest two-bedroom apartment. In only twelve counties and one metropolitan area is the prevailing minimum wage sufficient to afford a modest one-bedroom apartment.¹ Local minimum wages higher than the prevailing federal or state levels still fall short of the local one-bedroom and two-bedroom housing wage (Table 1).

The struggle to afford a decent home isn't limited to minimum wage workers. The average hourly wage of renters in the U.S. is \$15.42, \$4.88 less than the two-bedroom Housing Wage. In many states, the gap between the mean renter wage and the Housing Wage is significant (Figure 1). In no state is the mean renter wage sufficient to afford a two-bedroom apartment at the FMR.

The lowest income households face the

¹ All of them are located in West Virginia and Washington State.

DEFINITIONS



Affordability in this report is consistent with the federal standard that no more than 30% of a household's gross income should be spent on rent and utilities. Households paying over 30% of their income are considered cost burdened. Households paying over 50% of their income are considered severely cost burdened.

Area Median Income (AMI) is used to determine income eligibility for affordable housing programs. The AMI is set according to family size and varies by region.

Extremely Low Income (ELI) refers to earning less than 30% of AMI.

Housing Wage is the estimated full-time hourly wage a household must earn to afford a decent rental unit at HUD-estimated Fair Market Rent while spending no more than 30% of their income on housing costs.

Full-time work is defined as 2,080 hours per year (40 hours each week for 52 weeks). The average employee works roughly 34.4 hours per week, according to the Bureau of Labor Statistics.

Fair Market Rent (FMR) is typically the 40th percentile of gross rents for standard rental units. FMRs are determined by HUD on an annual basis, and reflect the cost of shelter and utilities. FMRs are used to determine payment standards for the Housing Choice Voucher program and Section 8 contracts.

Renter wage is the estimated mean hourly wage among renters, based on 2014 Bureau of Labor Statistics wage data, adjusted by the ratio of renter income to the overall household income reported in the ACS and projected to 2016.

TABLE 1: MINIMUM-WAGE WORKERS IN LOCALITIES WITH A HIGHER MINIMUM-WAGE STILL EARN LESS THAN THE HOUSING WAGE

Locality	Local Minimum-Wage	1 BR Housing Wage	2 BR Housing Wage
Berkeley, CA	\$11.00	\$31.98	\$40.44
Bernalillo County, NM	\$8.50	\$14.75	\$18.10
Chicago, IL	\$10.00	\$19.25	\$22.62
Emeryville, CA	\$14.44	\$31.98	\$40.44
Johnson County, IA	\$8.20	\$12.79	\$16.60
Las Cruces, NM	\$8.40	\$10.40	\$12.69
Louisville, KY	\$7.75	\$12.38	\$15.71
Montgomery County, MD	\$9.55	\$26.96	\$31.21
Mountain View, CA	\$11.00	\$30.42	\$38.35
Oakland, CA	\$12.25	\$31.98	\$40.44
Palo Alto, CA	\$11.00	\$30.42	\$38.35
Portland, ME	\$10.10	\$17.04	\$21.33
Prince George's County, MD	\$9.55	\$26.96	\$31.21
Richmond, CA	\$11.52	\$31.98	\$40.44
San Diego, CA	\$10.50	\$22.17	\$28.83
San Francisco, CA	\$12.25	\$34.88	\$44.02
Santa Clara, CA	\$11.00	\$30.42	\$38.35
Santa Fe, NM	\$9.50	\$15.04	\$18.13
Santa Fe County, NM	\$10.66	\$15.04	\$18.13
Seattle, WA	\$13.00	\$23.56	\$29.29
Sunnyvale, CA	\$10.30	\$30.42	\$38.35
Tacoma, WA	\$10.35	\$16.79	\$21.65

Notes on Table:

1. Local minimum wage amounts used in this chart are as of March 1, 2016 and come from the U.C. Berkeley Labor Center's Inventory of U.S. City and County Minimum Wage Ordinances.
2. Housing Wages in this chart refer to the jurisdiction's corresponding FMR area.

greatest housing affordability challenges (Figure 2). Extremely low income (ELI) households have income at or below 30% of their area median. On average, they can afford to spend no more than \$507 per month on housing costs. An individual relying on Supplemental Security Income (SSI) in 2016 can only afford monthly rent of \$220. Meanwhile, the national average monthly rent for a modest one-bedroom apartment is \$850. The national average cost of a modest one-bedroom apartment would consume more than a single SSI recipient's entire income. Such an individual would be unable to maintain shelter without housing assistance.

Out of Reach 2016 clearly indicates that renters, particularly those with the lowest incomes, face significant affordability barriers in securing safe, decent, affordable homes. The next two sections explore two causes of this affordability crisis and how a new federal housing program, the National Housing Trust Fund (NHTF), can help address it.

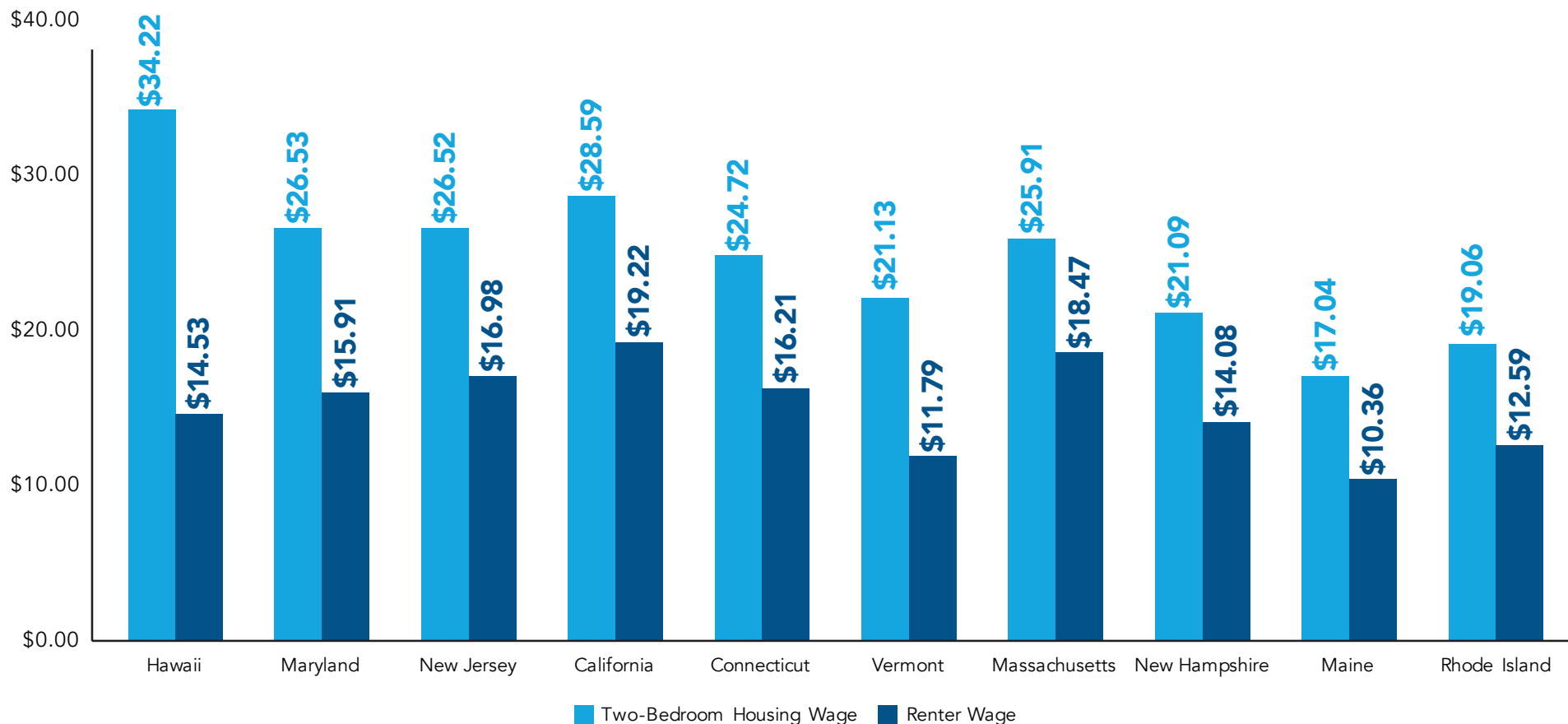
Wage Stagnation and Income Inequality

Wage stagnation and income inequality contribute to the gap between what people earn and the cost of their housing. From 2007 to 2015, the bottom 10% of wage earners saw a 0.2% increase in real hourly wages, while the top 5% saw an 8.7% increase,² continuing a long-term trend of growing income equality. Between 1979 and 2013, the bottom 10% of wage earners saw a 5.3% decline in real hourly wages, while the top 5% saw a 40.6% increase.³

2. Gould, E. (2016). Wage inequality continued its 35-year rise in 2015. Washington, DC: Economic Policy Institute. Retrieved from <http://www.epi.org/publication/wage-inequality-continued-its-35-year-rise-in-2015/#epi-toc-3>.

3. Mishel, L., Gould, E., & Bivens, J. (2015). *Wage stagnation in nine charts*. Washington, DC: Economic Policy Institute. Retrieved from: <http://www.epi.org/publication/charting-wage-stagnation/>.

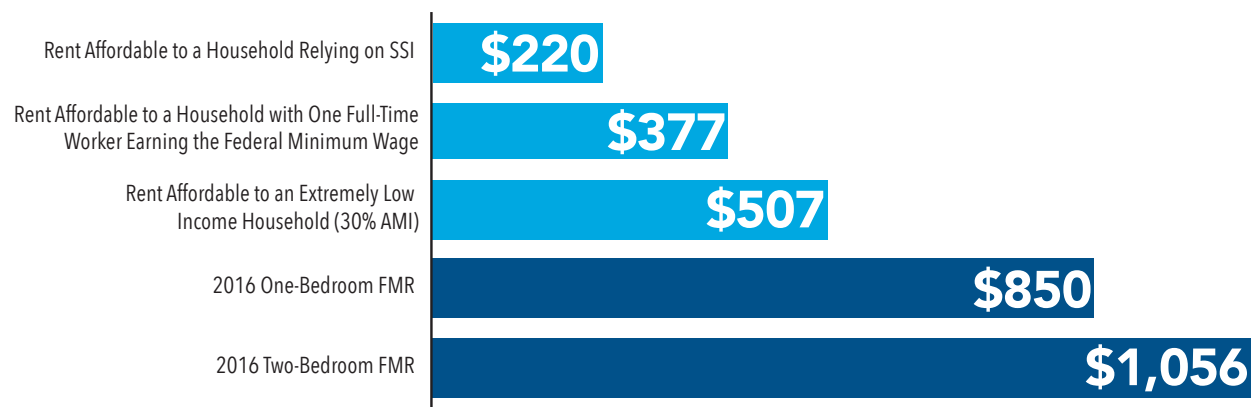
FIGURE 1: STATES WITH THE LARGEST SHORTFALL BETWEEN TWO BEDROOM HOUSING WAGE AND RENTER WAGE



An analysis by the Brookings Institution found that cities with greater income inequality tend to have lower housing affordability for low income households.⁴ Greater income inequality was associated with greater housing cost burdens among the poorest 20% of households. Household income at the 95th percentile of the income distribution correlated positively with housing costs at the bottom 20% of the rental market. These findings suggest that housing markets are more responsive to the demand for rental housing among higher income households than to the housing needs of lower income households.

⁴ Berube, A., & Holmes, N. (2016). *City and metropolitan inequality on the rise, driven by declining incomes*. Retrieved from <http://www.brookings.edu/research/papers/2016/01/14-income-inequality-cities-update-berube-holmes>.

FIGURE 2: RENTS REMAIN OUT OF REACH FOR MANY RENTERS



The declining inflation-adjusted value of the federal minimum wage contributes to wage inequality⁵ and the housing affordability challenges faced by low wage workers. Local, state, and national efforts to increase the minimum wage are critical, but on their own will not completely close the housing affordability gap. At least twenty-two local jurisdictions now have a minimum wage higher than their prevailing state or federal level. All fall short of the one-bedroom and two-bedroom Housing Wage (Table 1). Minimum wage legislation introduced in Congress also falls short. The Pay Workers a Living Wage Act (S.1832 / H.R. 3164) would raise the minimum wage to \$15 an hour, \$1.35 and \$5.30 short of the national one-bedroom and two-bedroom Housing Wage. A separate bill, the Original Living Wage Act (H.R. 122), would set the federal minimum wage at 115% of the federal poverty threshold for a family

5 Economic Policy Institute (2015). *A stagnating minimum wage has left low-wage workers facing a longer climb to reach the middle class*. Washington DC: Author. Retrieved from: <http://www.epi.org/publication/a-stagnating-minimum-wage-has-left-low-wage-workers-facing-a-longer-climb-to-reach-the-middle-class>

of four with two children, assuming full-time employment. In 2015, the minimum wage under this legislation would be \$13.29.

Rising Rents and the Inadequate Supply of Affordable Housing

The demand for rental housing is at its highest level since the 1960s.⁶ In the past decade alone, the U.S. has added nine million renter households, but only 8.2 million rental housing units to its housing stock. Vacancy rates are at their lowest levels since 1985 and rents have risen at an annual rate of 3.5%, the fastest pace in three decades.⁷

6 Joint Center for Housing Studies of Harvard University. (2015). *America's rental housing: Expanding options for diverse and growing demand*. Cambridge, MA: Author. http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/ctools/css/americas_rental_housing_2015_web.pdf.

7 *Ibid.*

Growth in the supply of low cost rental units has not kept pace with the significant growth in demand. Between 2003 and 2013, the number of low cost units renting for less than \$400 increased by 10%, but the number of renter households in need of these units increased by 40%.⁸ The nation's 10.4 million ELI renter households currently face a shortage of 7.2 million affordable and available rental units, leaving 31 affordable and available units for every 100 ELI renter households.⁹ Unable to find affordable homes, seventy-five percent of ELI renter households are now severely cost burdened, spending more than half of their income on rent and utilities.¹⁰ This burden makes it difficult to afford other basic necessities like healthy food and medication and to save for financial emergencies. Severe cost burden is a risk factor for housing instability and homelessness, which exacerbates the financial and psychological stress within a family. Very low income (VLI) renter households earning no more than 50% of their area median income face a similar shortage of 57 affordable and available units for every 100 VLI renter households.¹¹

Absent public subsidy, the private market does little to produce new rental housing affordable to the lowest income households. The rent these households can afford to pay often does not cover debt service on the capital costs of development and other operating expenses. Because of high

8 *Ibid.*

9 Affordable and available homes are affordable to a particular income group and either vacant or occupied by a household of that income group.

10 National Low Income Housing Coalition. (2016). *The gap: The affordable housing gap analysis 2016*. Washington, DC: Author. Retrieved from http://nlihc.org/sites/default/files/Gap-Report_print.pdf.

11 *Ibid.*

development costs, developers target new rental units to the upper end of the rental market where rents are higher.

Nearly three-quarters of the rental housing occupied by households in the bottom three-fifths of the U.S. income distribution is the result of downward filtering of housing units as they become older and less desirable relative to new housing.¹² Older housing of adequate quality however rarely becomes cheap enough for ELI renters. In high demand housing markets, owners have an incentive to upgrade their units for higher rents. In weak markets, owners have an incentive to no longer maintain their property when rent revenue does not cover operating costs.

The National Housing Trust Fund

In addition to raising the minimum wage, public investments in housing programs are essential to address the shortage of rental housing affordable and available to ELI and VLI households. One new and promising tool for addressing this shortage is the National Housing Trust Fund (NHTF).

The NHTF is the first new federal housing program in a generation to focus on ELI households. It will receive a first time allocation of nearly \$173.6 million in the summer of 2016 for distribution to the 50 states and the District of Columbia. At least 90% of NHTF funds must be used to build, preserve, or rehabilitate rental housing affordable to ELI and VLI households. A maximum of ten percent of NHTF funds can be used for affordable homeownership activities. At least 75% of funds must benefit ELI households, and up to 25% can benefit VLI households. While the NHTF is capitalized under \$1 billion, all funds must benefit ELI households.

The NHTF is funded through a dedicated source of revenue outside of the annual appropriations process. The dedicated revenue source is a 4.2 basis point (0.042%) assessment on the new business of Fannie Mae and Freddie

12 McCarthy, J., Peach, R., & Ploenzke, M. (2015). *The measurement of rent inflation*. New York, NY: Federal Reserve Bank of New York. <https://www.newyorkfed.org/medialibrary/media/research/staff-reports/sr425.pdf>.


Mac. Sixty-five percent of this revenue is directed to the NHTF and 35% is directed to the Capital Magnet Fund (CMF). Ideally, a dedicated revenue source means that NHTF funds supplement rather than compete with existing housing programs funded through annual appropriations.

The NHTF can capture additional revenue to meet the housing needs of the nation's lowest income renters. A number of revenue sources have been proposed, including expanding the contributions of Fannie Mae and Freddie

Mac. An effort to reform the two GSEs voted out of the Senate Committee on Banking, Housing, and Urban Affairs (S. 1217) on a bipartisan basis would have resulted in \$3.5 billion a year for the NHTF.¹³ To date, three of four housing finance reform bills have included language to preserve and expand a dedicated stream of revenue for the NHTF.

Ranking Member of the House Committee on Financial Services, Maxine Waters (D-CA), introduced legislation on March 23, 2016 to provide \$1 billion annually in mandatory spending in perpetuity to the NHTF. The Ending Homelessness Act of 2016 (H.R. 4888) also includes \$50 million per year in project based rental assistance for NHTF units, an additional \$5 billion for permanent supportive housing targeted to the chronically homeless, \$2.5 billion for vouchers targeted to homeless families and individuals, and \$500 million for outreach to the homeless. The bill has been referred to the House Committee on Financial Services and the House Committee on the Budget.¹⁴

NLIHC's United for Homes campaign proposes modest mortgage interest deduction (MID) reform to generate approximately \$213 billion in revenue



“THE NATIONAL HOUSING TRUST FUND IS THE FIRST NEW FEDERAL HOUSING PROGRAM IN A GENERATION TO FOCUS ON ELI HOUSEHOLDS.”

13 National Low Income Housing Coalition (2014). “Committee approves housing finance reform measure.” Memo to Members, May 16, 2014. <http://www.nlihc.org/article/committee-approves-housing-finance-reform-measure>.

14 National Low Income Housing Coalition. (2016). “Representative Waters Introduces Bill to End Homelessness, Funds NHTF at \$1.05 Billion Annually.” Member to Members, March 28, 2016. <http://www.nlihc.org/article/representative-waters-introduces-bill-end-homelessness-funds-nhtf-105-billion-annually>.

“LOW INCOME RENTERS FACE THE GREATEST CHALLENGE. HIGHER WAGES AND A GREATER SUPPLY OF AFFORDABLE RENTAL HOUSING ARE NECESSARY.”

over 10 years for the NHTF.¹⁵ The campaign proposes reducing the mortgage amount eligible for the interest deduction from \$1 million to \$500,000 and converting the deduction to a 15% non-refundable tax credit. Representative Keith Ellison (D-MN) introduced the Common Sense Housing Investment Act of 2015 (H.R. 1662) on March 26, 2015 that includes these two MID provisions.¹⁶ The bill directs sixty percent of the reform’s savings to the NHTF and the remainder to the Public Housing Capital Fund, the Section 8 program, and the Low Income Housing Tax Credit (LIHTC).

Conclusion

Out of Reach 2016 highlights the affordability gap between the cost of rental housing and the wages of millions of renters who do not earn enough to afford a decent and safe home without significant sacrifice. Low income renters face the greatest challenge. Higher wages and a greater supply of affordable rental housing are necessary. If we make further gains in minimum wage legislation and expand funding for the National Housing Trust Fund, we can address the affordability gap.

The Numbers in this Report

Out of Reach 2016 is based on data from HUD, the U.S. Census Bureau, the Bureau of Labor Statistics, the Department of Labor, and the Social Security

15 Lu, C., Rosenberg, J., & Toder, E. (2015). *Options to reform the deduction for home mortgage interest*. Washington, DC: Tax Policy Center. Retrieved from <http://www.urban.org/research/publication/options-reform-deduction-home-mortgage-interest-1>.

16 National Low Income Housing Coalition. (2016). “Representative Ellison’s “Dear Colleague” Letter on Ending Family Homelessness.” Memo to Members, February 29, 2016. <http://www.nlihc.org/article/representative-ellison-s-dear-colleague-letter-ending-family-homelessness>.

Administration. See Appendix A for a detailed explanation of data sources and methodologies.

The Housing Wage is based on HUD FMRs, which are the Department’s best estimate of what a household seeking a modest rental unit can expect to pay for rent and utilities in the current market. The FMR is an estimate of what a family moving today can expect to pay for a modest rental home, not what current renters are paying on average. The FMR is the basis for the rent payment standard for Housing Choice Vouchers and other HUD programs. They are applied uniformly within each FMR area, which is either a metropolitan region or nonmetropolitan county.¹⁷ This approach fails to account for rent variation within an FMR area.

HUD has developed hypothetical small area fair market rents (SAFMRs) based on U.S. Postal Service ZIP codes in metropolitan areas to better reflect small-scale market conditions within metropolitan regions. HUD asked for comments on using SAFMRs for Housing Choice Voucher payment standards in certain metropolitan areas last summer and sent a proposed rule to the Office of Management and Budget (OMB) on February 9, 2016. OMB is reviewing the rule. NLIHC has long supported SAFMRs within the voucher program.

NLIHC is examining SAFMRs as a tool to estimate the Housing Wage at a more local scale within metropolitan areas. Table 2 compares the Housing Wage for the San Francisco HUD Metro FMR

17 Exceptions are the Dallas, TX HMFA and five public housing authorities participating in the Small Area FMR Demonstration Program.



Area (HMFA) to the housing wage for places within the San Francisco HMFA. NLIHC is exploring how best to use SAFMRs within metropolitan regions to reflect local area housing wages.

Readers are cautioned against comparing statistics in one edition of *Out of Reach* with those in another. In recent years, HUD has changed its methodology for calculating FMRs and incomes. Since 2012, HUD has developed FMR estimates using American Community Survey (ACS) data to determine base rents, rather than data from the Census Bureau's Decennial Survey. The new methodology can introduce more year-to-year variability in FMRs. For this reason and others (e.g., changes to the metropolitan area definitions), readers should not compare this year's report to previous editions of *Out of Reach* and assume that all differences reflect actual market dynamics.

Please consult the appendices and NLIHC research staff for assistance interpreting changes in the data.

TABLE 2: SAMPLE HOUSING WAGES IN THE SAN FRANCISCO HMFA

HMFA/Place	One-Bedroom Housing Wage	Two-Bedroom Housing Wage
San Francisco HMFA	\$34.88	\$44.02
San Francisco City	\$29.40	\$36.03
Menlo Park City	\$34.42	\$42.12
Foster City	\$41.15	\$50.58



HOW TO USE THE NUMBERS

A renter household needs to earn at least \$20.30 per hour in order to afford a two-bedroom unit at FMR.

For a family earning 100% of AMI, monthly rent of \$1,690 or less is affordable.

The annual median family income (AMI) in the United States is \$67,593 (2016).

Renter households represented 36% of all households in the United States (2010-2014).

There were 41,802,847 renter households in the United States (2010-2014).

The estimated mean (average) renter wage in the United States is \$15.42 per hour (2016).

UNITED STATES	FY16 HOUSING WAGE		HOUSING COSTS		AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR ¹ FMR ²	2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage ³ needed to afford 2 BR FMR	Annual AMI ⁴	Monthly rent affordable at AMI ⁵	30% of AMI ⁶	Monthly rent affordable at 30% of AMI	Renter households	% of total households	Estimated hourly mean renter wage	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
	\$20.30	\$1,056	\$42,240	2.8	\$67,593	\$1,690	\$20,278	\$507	41,802,847	36%	\$15.42	\$802	1.3

The FMR for a two-bedroom rental unit in the United States is \$1,056 (2016).

A renter household needs an annual income of \$42,240 in order to afford a two-bedroom rental unit at FMR.

A renter household needs 2.8 full-time jobs paying the minimum wage in order to afford a two-bedroom rental unit at FMR.

In the United States, an extremely low income family (30% of AMI) earns \$20,278 annually.

For a family earning 30% of AMI, monthly rent of \$507 or less is affordable.

If a household earns the mean renter wage, monthly rent of \$802 or less is affordable.

A renter household needs 1.3 full-time jobs paying the mean renter wage in order to afford a two-bedroom rental unit at FMR.

- 1: BR = Bedroom.
- 2: FMR = Fiscal Year 2016 Fair Market Rent (HUD, 2016).
- 3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.
- 4: AMI = Fiscal Year 2016 Area Median Income (HUD, 2016).
- 5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

WHERE THE NUMBERS COME FROM

Divide income needed to afford FMR (\$42,240) by 52 (weeks per year) and then by 40 (hours per work week) (\$42,240 / 52 = \$812; \$812 / 40 = \$20.30).

Multiply Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable (\$67,593 x .3 = \$20,278). Divide by 12 to obtain monthly amount (\$20,278 / 12 = \$1,690).

HUD FY16 estimated median family income based on data from the American Community Survey (ACS). See Appendix A

Divide number of renter households by total number of households (ACS 2010-2014) (41,802,847 / 117,452,309 = .36). Then multiply by 100 (.36 x 100 = 36%).

ACS (2010-2014).

Average wage reported by the Bureau of Labor Statistics (BLS) for 2014, adjusted to reflect the income of renter households relative to all households in the United States, and projected to 2016. See Appendix A.

	FY16 HOUSING WAGE		HOUSING COSTS		AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS					
	Hourly wage needed to afford 2 BR ¹ FMR ²		2 BR FMR	Annual income needed to afford 2 BR FMR	Full-time jobs at minimum wage ³ needed to afford 2 BR FMR	Annual AMI ⁴	Monthly rent affordable at AMI ⁵	30% of AMI ⁶	Monthly rent affordable at 30% of AMI	Renter households	% of total households	Estimated hourly mean renter wage	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
UNITED STATES	\$20.30		\$1,056	\$42,240	2.8	\$67,593	\$1,690	\$20,278	\$507	41,802,847	36%	\$15.42	\$802	1.3

Developed by HUD annually (2016). See Appendix A.

Multiply the FMR by 12 to get yearly rental cost (\$1,056 x 12 = \$12,672). Then divide by .3 to determine the total income needed to afford \$12,660 per year in rent (\$12,672 / .3 = \$42,240).

Divide income needed to afford the FMR by 52 (weeks per year) (\$42,200 / 52 = \$812). Then divide by \$7.25 (the Federal minimum wage) (\$812 / \$7.25 = 112 hours). Finally, divide by 40 (hours per work week) (112 / 40 = 2.8 full-time jobs).

Multiply Annual AMI by .3 (\$67,857 x .3 = \$20,278).

Multiply 30% of Annual AMI by .3 to get maximum amount that can be spent on housing for it to be affordable (\$20,278 x .3 = \$6,083). Divide by 12 to obtain monthly amount (\$6,083 / 12 = \$507).

Calculate annual income by multiplying mean renter wage by 40 (hours per week) and 52 (weeks per year) (\$15.42 x 40 x 52 = \$32,073). Multiply by .3 to determine maximum amount that can be spent on rent (\$32,073 x .3 = \$9,622). Divide by 12 to obtain monthly amount (\$9,622 / 12 = \$802)

Divide income needed to afford the FMR by 52 (weeks per year) (\$42,240 / 52 = \$812). Then divide by \$15.42 (The United States' mean renter wage) (\$812 / \$15.42 = 53 hours). Finally, divide by 40 (hours per work week) (53 / 40 = 1.3 full-time jobs).

- 1: BR = Bedroom.
- 2: FMR = Fiscal Year 2016 Fair Market Rent (HUD, 2016).
- 3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See Appendix A.

- 4: AMI = Fiscal Year 2016 Area Median Income (HUD, 2016).
- 5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

2016 MOST EXPENSIVE JURISDICTIONS

States ¹	Housing Wage for Two-Bedroom FMR
Hawaii	\$34.22
District of Columbia	\$31.21
California	\$28.59
New York	\$26.69
Maryland	\$26.53
New Jersey	\$26.52
Massachusetts	\$25.91
Connecticut	\$24.72
Alaska	\$23.25
Washington	\$23.13

Counties ²	Housing Wage for Two-Bedroom FMR
Marin County, CA	\$44.02
San Francisco County, CA	\$44.02
San Mateo County, CA	\$44.02
Alameda County, CA	\$40.44
Contra Costa County, CA	\$40.44
Santa Clara County, CA	\$38.35
Honolulu County, HI	\$38.17
Orange County, CA	\$32.15
Pitkin County, CO	\$31.96

Metropolitan Areas	Housing Wage for Two-Bedroom FMR
San Francisco, CA HMFA ³	\$44.02
Oakland-Fremont, CA HMFA	\$40.44
San Jose-Sunnyvale-Santa Clara, CA HMFA	\$38.35
Honolulu, HI MSA ⁴	\$38.17
Stamford-Norwalk, CT HMFA	\$37.15
Danbury, CT HMFA	\$34.13
Orange County, CA HMFA	\$32.15
Washington-Arlington-Alexandria, DC-VA-MD HMFA	\$31.21
Nassau-Suffolk, NY HMFA	\$30.92
Santa Cruz-Watsonville, CA MSA	\$30.85

Combined Nonmetro Areas	Housing Wage for Two-Bedroom FMR
Massachusetts	\$27.41
Hawaii	\$23.19
Alaska	\$21.61
Connecticut	\$19.93
California	\$18.98
New Hampshire	\$18.71
Vermont	\$18.27
Colorado	\$17.29
Maryland	\$16.86
North Dakota	\$16.17

1 Includes District of Columbia.

2 Excludes metropolitan counties in New England.

3 HMFA = HUD Metro Fair Market Rent (FMR) Area. This term indicates that a portion of the Office of Management & Budget (OMB) defined core-based statistical is in the area to which the income limits and FMRs apply. HUD is required by OMB to alter the name of the metropolitan geographic entities it derives from the Core Based Statistical Area (CBSA) when the geography is not the same as that established by the OMB.

4 MSA = Metropolitan Statistical Area. Geographic entities defined by OMB for use by the federal statistical agencies in collecting, tabulating, and publishing federal statistics. A metro area contains an urban core of 50,000 or more in population.

2016 STATES RANKED BY TWO-BEDROOM HOUSING WAGE

States are ranked from most expensive to least expensive.

Rank	State	Housing Wage for Two-Bedroom FMR
1	Hawaii	\$34.22
2	District of Columbia	\$31.21
3	California	\$28.59
4	New York	\$26.69
5	Maryland	\$26.53
6	New Jersey	\$26.52
7	Massachusetts	\$25.91
8	Connecticut	\$24.72
9	Alaska	\$23.25
10	Washington	\$23.13
11	Virginia	\$22.44
12	Delaware	\$21.70
13	Vermont	\$21.13
14	Colorado	\$21.12
15	New Hampshire	\$21.09
16	Illinois	\$19.98
17	Florida	\$19.96
18	Oregon	\$19.38
19	Rhode Island	\$19.06
20	Pennsylvania	\$18.27
21	Nevada	\$18.26
22	Minnesota	\$17.76
23	Texas	\$17.60
24	Arizona	\$17.18
25	Maine	\$17.04
26	Utah	\$16.32

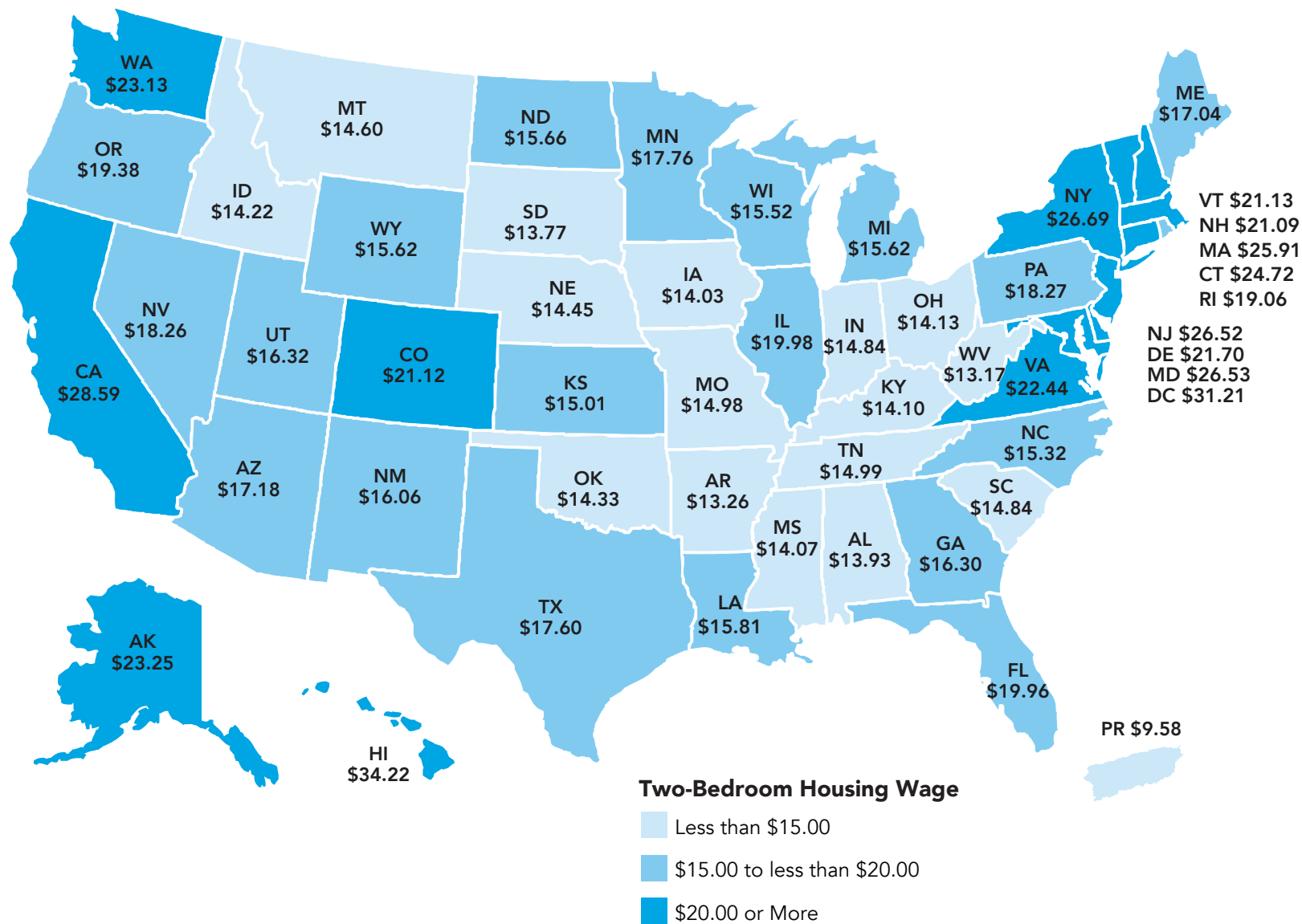
Rank	State	Housing Wage for Two-Bedroom FMR
27	Georgia	\$16.30
28	New Mexico	\$16.06
29	Wisconsin	\$15.92
30	Louisiana	\$15.81
31	North Dakota	\$15.66
32	Michigan	\$15.62
33	Wyoming	\$15.62
34	North Carolina	\$15.32
35	Kansas	\$15.01
36	Tennessee	\$14.99
37	Missouri	\$14.98
38	Indiana	\$14.84
39	South Carolina	\$14.84
40	Montana	\$14.60
41	Ohio	\$14.45
42	Nebraska	\$14.45
43	Oklahoma	\$14.33
44	Idaho	\$14.22
45	Kentucky	\$14.10
46	Mississippi	\$14.07
47	Iowa	\$14.03
48	Alabama	\$13.93
49	South Dakota	\$13.77
50	Arkansas	\$13.26
51	West Virginia	\$13.17
52	Puerto Rico	\$9.58

1 Includes District of Columbia and Puerto Rico.

2 FMR = Fair Market Rent.

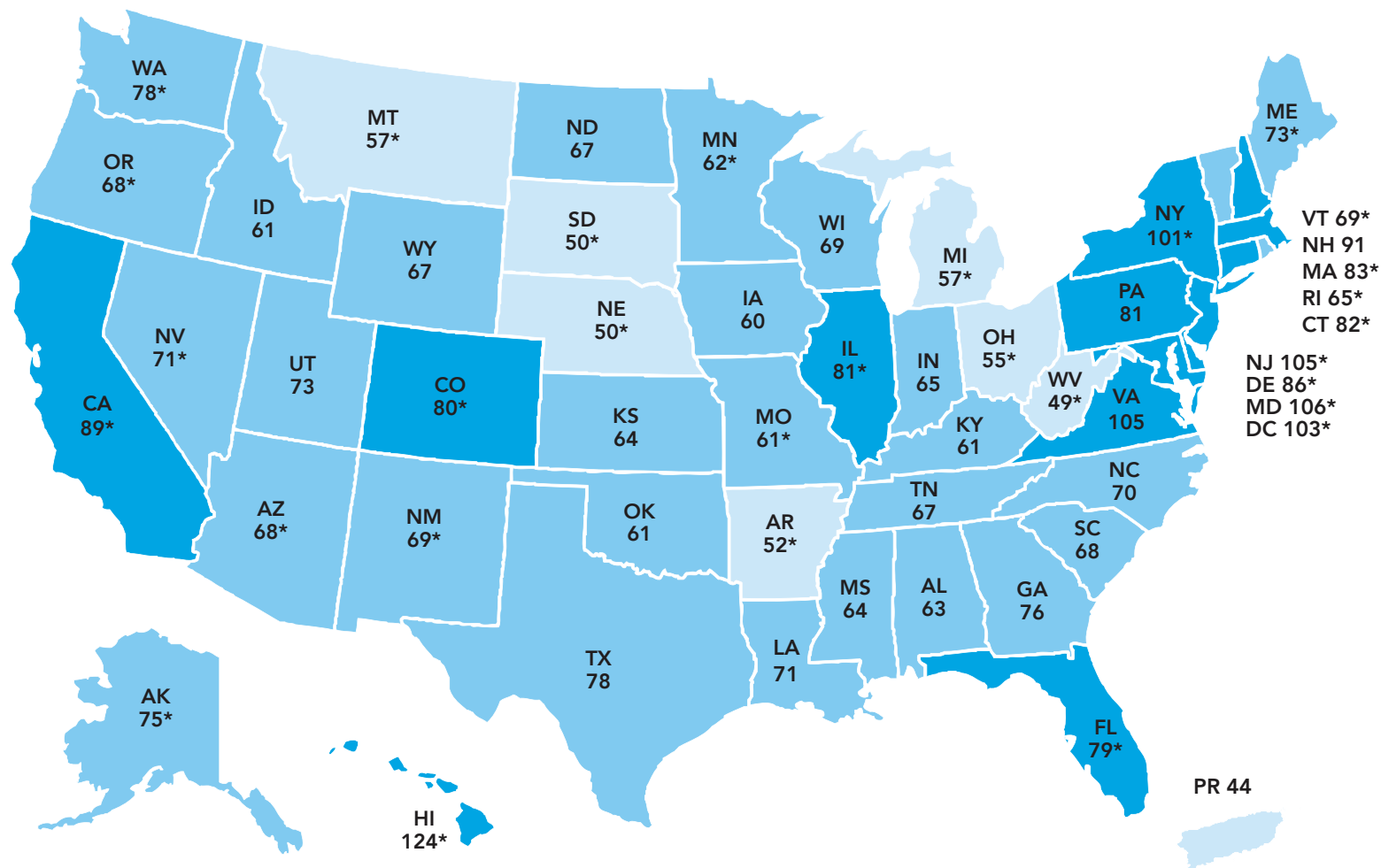
2016 TWO-BEDROOM RENTAL UNIT HOUSING WAGE

Represents the hourly wage that a household must earn (working 40 hours a week, 52 weeks a year) in order to afford the Fair Market Rent for a two-bedroom rental unit, without paying more than 30% of their income.



2016 HOURS AT MINIMUM WAGE NEEDED TO AFFORD RENT

In no state can a minimum wage worker afford a **ONE-BEDROOM** rental unit at the average Fair Market Rent, working a standard 40-hour work week, without paying more than 30% of their income.



Hours needed at minimum wage to afford a one-bedroom unit

60 hours per week or less
 61 to 78 hours per week
 79 hours per week or more

*This state's minimum wage exceeds the federal minimum wage

STATE SUMMARY

State	FY16 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
	Hourly wage needed to afford 2 BR ¹ FMR ²	2 BR FMR	Annual income needed to Afford 2 BR FMR	Full-time jobs at minimum wage ³ needed to afford 2 BR FMR	Annual AMI ⁴	Monthly rent affordable at AMI ⁵	30% of AMI	Monthly rent affordable at 30% AMI	Renter households (2010-2014)	% of total households (2010-2014)	Estimated hourly mean renter wage (2016)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Alabama	\$13.93	\$724	\$28,973	1.90	\$56,631	\$1,416	\$16,989	\$425	\$567,978	31%	\$11.64	\$605	1.2
Alaska	\$23.25	\$1,209	\$48,359	2.40	\$86,917	\$2,173	\$26,075	\$652	\$92,263	37%	\$17.76	\$924	1.3
Arizona	\$17.18	\$893	\$35,726	2.10	\$59,520	\$1,488	\$17,856	\$446	\$873,952	37%	\$15.28	\$794	1.1
Arkansas	\$13.26	\$689	\$27,572	1.70	\$53,147	\$1,329	\$15,944	\$399	\$378,868	33%	\$11.96	\$622	1.1
California	\$28.59	\$1,487	\$59,464	2.90	\$72,682	\$1,817	\$21,805	\$545	\$5,708,355	45%	\$19.22	\$999	1.5
Colorado	\$21.12	\$1,098	\$43,939	2.50	\$75,294	\$1,882	\$22,588	\$565	\$703,266	35%	\$15.97	\$830	1.3
Connecticut	\$24.72	\$1,285	\$51,420	2.60	\$89,400	\$2,235	\$26,820	\$671	\$443,163	33%	\$16.21	\$843	1.5
Delaware	\$21.70	\$1,128	\$45,138	2.60	\$72,989	\$1,825	\$21,897	\$547	\$96,186	28%	\$16.03	\$834	1.4
District of Columbia	\$31.21	\$1,623	\$64,920	3.00	\$108,600	\$2,715	\$32,580	\$815	\$156,217	58%	\$26.09	\$1,357	1.2
Florida	\$19.96	\$1,038	\$41,527	2.50	\$57,685	\$1,442	\$17,305	\$433	\$2,444,564	34%	\$14.49	\$754	1.4
Georgia	\$16.30	\$848	\$33,908	2.20	\$59,981	\$1,500	\$17,994	\$450	\$1,268,689	36%	\$14.58	\$758	1.1
Hawaii	\$34.22	\$1,780	\$71,184	4.00	\$82,123	\$2,053	\$24,637	\$616	\$192,984	43%	\$14.53	\$755	2.4
Idaho	\$14.22	\$739	\$29,580	2.00	\$58,582	\$1,465	\$17,575	\$439	\$180,278	31%	\$11.23	\$584	1.3
Illinois	\$19.98	\$1,039	\$41,567	2.40	\$72,547	\$1,814	\$21,764	\$544	\$1,583,926	33%	\$15.25	\$793	1.3
Indiana	\$14.84	\$772	\$30,868	2.00	\$60,980	\$1,524	\$18,294	\$457	\$761,229	31%	\$12.15	\$632	1.2
Iowa	\$14.03	\$730	\$29,183	1.90	\$68,743	\$1,719	\$20,623	\$516	\$347,244	28%	\$11.29	\$587	1.2
Kansas	\$15.01	\$781	\$31,221	2.10	\$64,691	\$1,617	\$19,407	\$485	\$365,546	33%	\$12.42	\$646	1.2
Kentucky	\$14.10	\$733	\$29,319	1.90	\$57,445	\$1,436	\$17,233	\$431	\$550,223	32%	\$11.46	\$596	1.2
Louisiana	\$15.81	\$822	\$32,891	2.20	\$58,254	\$1,456	\$17,476	\$437	\$579,120	34%	\$13.46	\$700	1.2
Maine	\$17.04	\$886	\$35,453	2.30	\$63,145	\$1,579	\$18,944	\$474	\$157,971	29%	\$10.36	\$539	1.6
Maryland	\$26.53	\$1,380	\$55,183	3.20	\$93,193	\$2,330	\$27,958	\$699	\$710,103	33%	\$15.91	\$827	1.7
Massachusetts	\$25.91	\$1,347	\$53,886	2.60	\$88,037	\$2,201	\$26,411	\$660	\$957,547	38%	\$18.47	\$960	1.4
Michigan	\$15.62	\$812	\$32,494	1.80	\$63,683	\$1,592	\$19,105	\$478	\$1,089,868	28%	\$12.72	\$662	1.2
Minnesota	\$17.76	\$924	\$36,941	2.00	\$77,878	\$1,947	\$23,364	\$584	\$590,136	28%	\$13.32	\$692	1.3
Mississippi	\$14.07	\$732	\$29,268	1.90	\$49,227	\$1,231	\$14,768	\$369	\$339,802	31%	\$10.64	\$553	1.3
Missouri	\$14.98	\$779	\$31,158	2.00	\$62,790	\$1,570	\$18,837	\$471	\$756,950	32%	\$12.74	\$662	1.2

1: BR = Bedroom.

2: FMR = Fiscal Year 2016 Fair Market Rent (HUD, 2016).

3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See [Appendix A](#).

4: AMI = Fiscal Year 2016 Area Median Income (HUD, 2015).

5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.

	FY16 HOUSING WAGE	HOUSING COSTS			AREA MEDIAN INCOME (AMI)				RENTER HOUSEHOLDS				
State	Hourly wage needed to afford 2 BR ¹ FMR ²	2 BR FMR	Annual income needed to Afford 2 BR FMR	Full-time jobs at minimum wage ³ needed to afford 2 BR FMR	Annual AMI ⁴	Monthly rent affordable at AMI ⁵	30% of AMI	Monthly rent affordable at 30% AMI	Renter households (2010-2014)	% of total households (2010-2014)	Estimated hourly mean renter wage (2016)	Monthly rent affordable at mean renter wage	Full-time jobs at mean renter wage needed to afford 2 BR FMR
Montana	\$14.60	\$759	\$30,361	1.80	\$61,427	\$1,536	\$18,428	\$461	\$131,596	32%	\$11.23	\$584	1.3
Nebraska	\$14.45	\$751	\$30,058	1.60	\$66,857	\$1,671	\$20,057	\$501	\$245,311	34%	\$11.59	\$603	1.2
Nevada	\$18.26	\$950	\$37,987	2.20	\$61,463	\$1,537	\$18,439	\$461	\$446,047	44%	\$15.34	\$798	1.2
New Hampshire	\$21.09	\$1,097	\$43,865	2.90	\$78,912	\$1,973	\$23,673	\$592	\$150,420	29%	\$14.08	\$732	1.5
New Jersey	\$26.52	\$1,379	\$55,152	3.20	\$86,994	\$2,175	\$26,098	\$652	\$1,114,583	35%	\$16.98	\$883	1.6
New Mexico	\$16.06	\$835	\$33,404	2.10	\$56,979	\$1,424	\$17,094	\$427	\$243,406	32%	\$12.53	\$652	1.3
New York	\$26.69	\$1,388	\$55,508	3.00	\$74,427	\$1,861	\$22,328	\$558	\$3,348,537	46%	\$22.85	\$1,188	1.2
North Carolina	\$15.32	\$796	\$31,859	2.10	\$59,375	\$1,484	\$17,813	\$445	\$1,280,773	34%	\$13.21	\$687	1.2
North Dakota	\$15.66	\$814	\$32,565	2.20	\$73,664	\$1,842	\$22,099	\$552	\$101,996	35%	\$15.22	\$792	1.0
Ohio	\$14.45	\$751	\$30,060	1.80	\$63,229	\$1,581	\$18,969	\$474	\$1,513,809	33%	\$12.17	\$633	1.2
Oklahoma	\$14.33	\$745	\$29,796	2.00	\$58,586	\$1,465	\$17,576	\$439	\$485,544	33%	\$13.43	\$698	1.1
Oregon	\$19.38	\$1,008	\$40,318	2.10	\$64,014	\$1,600	\$19,204	\$480	\$586,182	38%	\$13.87	\$721	1.4
Pennsylvania	\$18.27	\$950	\$38,000	2.50	\$70,326	\$1,758	\$21,098	\$527	\$1,511,506	30%	\$13.80	\$718	1.3
Puerto Rico	\$9.58	\$498	\$19,930	1.30	\$23,775	\$594	\$7,133	\$178	\$379,256	31%	\$6.91	\$359	1.4
Rhode Island	\$19.06	\$991	\$39,639	2.00	\$73,931	\$1,848	\$22,179	\$554	\$162,740	40%	\$12.59	\$655	1.5
South Carolina	\$14.84	\$772	\$30,860	2.00	\$57,558	\$1,439	\$17,267	\$432	\$563,561	31%	\$11.53	\$599	1.3
South Dakota	\$13.77	\$716	\$28,631	1.60	\$64,740	\$1,619	\$19,422	\$486	\$104,512	32%	\$10.88	\$566	1.3
Tennessee	\$14.99	\$779	\$31,175	2.10	\$57,600	\$1,440	\$17,280	\$432	\$817,396	33%	\$12.96	\$674	1.2
Texas	\$17.60	\$915	\$36,611	2.40	\$64,360	\$1,609	\$19,308	\$483	\$3,361,040	37%	\$17.07	\$887	1.0
Utah	\$16.32	\$849	\$33,944	2.30	\$69,938	\$1,748	\$20,981	\$525	\$271,589	30%	\$12.39	\$644	1.3
Vermont	\$21.13	\$1,099	\$43,947	2.20	\$71,642	\$1,791	\$21,493	\$537	\$74,835	29%	\$11.79	\$613	1.8
Virginia	\$22.44	\$1,167	\$46,675	3.10	\$78,798	\$1,970	\$23,639	\$591	\$1,013,466	33%	\$16.45	\$856	1.4
Washington	\$23.13	\$1,203	\$48,119	2.40	\$75,979	\$1,899	\$22,794	\$570	\$986,856	37%	\$16.69	\$868	1.4
West Virginia	\$13.17	\$685	\$27,390	1.50	\$54,658	\$1,366	\$16,397	\$410	\$200,752	27%	\$10.62	\$552	1.2
Wisconsin	\$15.92	\$828	\$33,115	2.20	\$68,241	\$1,706	\$20,472	\$512	\$741,481	32%	\$12.07	\$627	1.3
Wyoming	\$15.62	\$812	\$32,489	2.20	\$74,359	\$1,859	\$22,308	\$558	\$69,225	31%	\$14.28	\$743	1.1

1: BR = Bedroom.

2: FMR = Fiscal Year 2016 Fair Market Rent (HUD, 2016).

3: This calculation uses the higher of the state or federal minimum wage. Local minimum wages are not used. See [Appendix A](#).

4: AMI = Fiscal Year 2016 Area Median Income (HUD, 2015).

5: "Affordable" rents represent the generally accepted standard of spending no more than 30% of gross income on rent and utilities.