

The National Need for Affordable Housing

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The United States is facing a shortage of affordable rental housing. The shortage is most severe for households with extremely low incomes, defined as income at or below the poverty guideline or 30% of their area's median income, whichever is higher. Even before COVID-19 sparked a public health and economic crisis, there were only 7.4 million affordable rental homes available for the nation's 10.8 million extremely low-income (ELI) renter households under the assumption that households should spend no more than 30% of their income on housing costs (unless otherwise noted, figures are based on 2019 American Community Survey Public Use Microdata Sample data). Not all 7.4 million homes, however, are available. Approximately 3.4 million are occupied by higher-income households. As a result, approximately 4 million rental homes are affordable and available for ELI renters, leaving a shortage of nearly 7 million. In other words, there are only 37 affordable and available rental homes for every 100 ELI renter households.

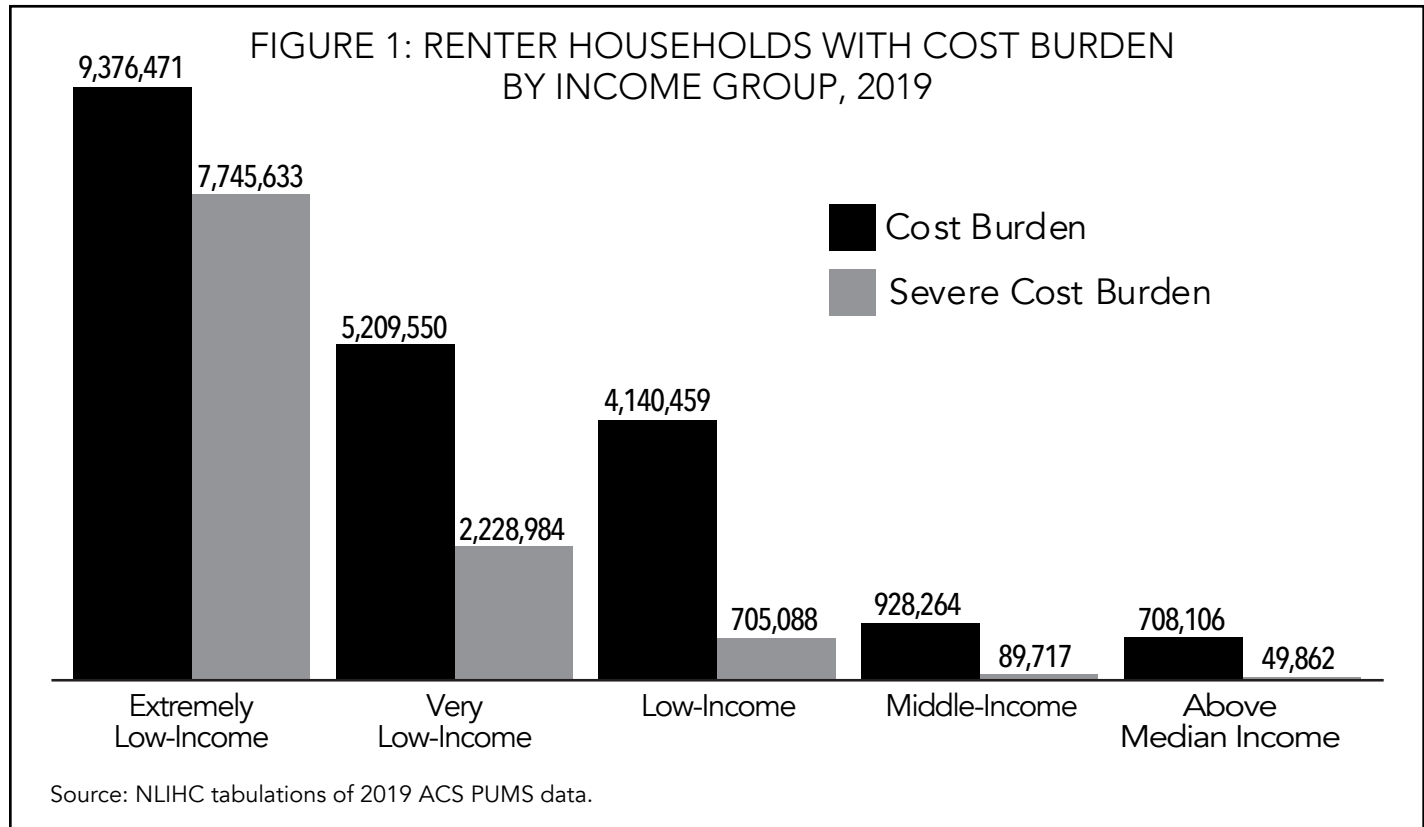
The pandemic has made this crisis even more acute, as millions of low-income renters have been put out of work and are at risk of eviction. The initial drop in employment in March and April 2020 hit low-wage workers hard, as the pandemic disproportionately affected high-contact occupations with low wages like cleaning, hospitality, food services, and personal care (Brookings, 2020: [New but narrow job pathways for America's unemployed and low-wage workers](#)). Recovery has been slow, and in November total employment remained 9.8 million jobs below its pre-pandemic peak (U.S. Bureau of Labor Statistics, 2020: [Employment Situation Summary, December 4](#)). Beyond job loss, millions more experienced loss of wages. According to the Census Bureau's Household Pulse Survey, nearly half (48%) of all households reported a loss of employment income between March and November 2020. Consequently, renters who struggled even in a better economy now face impossible challenges. Nearly 27% of renters with incomes less than \$25,000 were behind on rent by late November, and 43% of the lowest-income renters had little to no confidence they could pay next month's rent on time (U.S. Census Bureau, 2020: [Household Pulse Survey, Week 19](#)). The lowest-income and most cost burdened households were already one financial emergency away from eviction and many will now struggle to remain housed due to the pandemic.

The severe shortage of affordable homes for the lowest-income renters is systemic, affecting every state and metropolitan area. Without public subsidy, the private market is unable to produce new rental housing that is affordable to these households because the rents that the lowest-income households can afford to pay typically do not cover the development costs and operating expenses of such housing. New private rental housing, therefore, is largely targeted to the higher-price end of the market and the lowest-income renters must rely on older, private rental housing or subsidies.

The private market, however, does not generate an adequate supply of older rental homes and subsidies are woefully inadequate. In strong markets, owners of older rental homes have an incentive to redevelop their properties to receive higher rents from higher-income households. In weak markets, owners of older rental homes have an incentive to abandon their rental properties or convert them to other uses when rental income is too low to cover basic operating costs and maintenance. Between 2000 and 2017, the number of rental homes renting for under \$600 fell by 2.4 million, and the share of low-cost homes in the national rental stock fell from 37% to 25% (Joint Center for Housing Studies; JCHS, 2020: [*America's Rental Housing 2020*](#)). Meanwhile, just one in four households eligible for federal housing assistance get the help they need (Center on Budget and Policy Priorities, 2017: [*Chart Book*](#)).

Federal Housing Spending Is Poorly Matched to Need).

As a result of these challenges, 85% of ELI renter households spend more than 30% of their income on housing and 70% spend more than half of their income on housing, making them severely cost burdened. ELI households account for more cost burdened and severely cost burdened renter households than any other income group. The 7.6 million severely cost burdened ELI renter households account for 72% of the 10.4 million severely cost burdened renter households in the U.S.



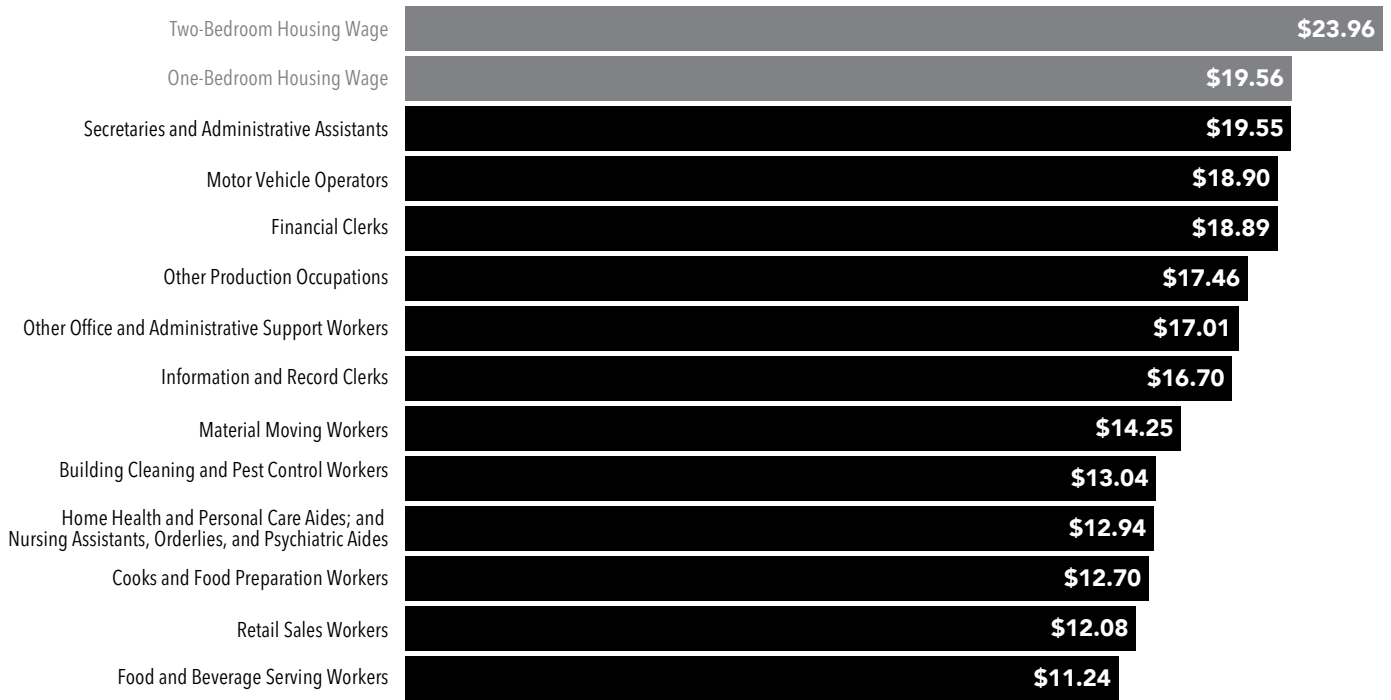
The most vulnerable ELI renters, such as people with disabilities relying on Supplemental Security Income (SSI) and minimum wage workers, typically face the greatest burdens. While the Federal SSI benefit in 2020 was \$783 per month, the average monthly rent for a modest one-bedroom home was \$1,022. For the 4.7 million people with disabilities whose sole source of income is SSI, such costs are unsustainable (Technical Assistance Collaborative, 2020: *Priced Out*). In only 144 counties nationwide can a full-time worker at minimum wage afford a modest one-bedroom apartment at the fair market rent (NLIHC, 2020: *Out of Reach 2020: The High Cost of Housing*).

Low-wage employment often does not pay enough for workers to afford housing and other necessities. A person working full-time every week of the year needs to earn an hourly wage of \$23.96 to afford a modest two-bedroom rental home without spending more than 30% of his or her income on housing, or \$19.56 for a modest one-bedroom apartment. These wages are far higher than the federal minimum wage and higher than wages paid in many of the most common occupations in the country.

The negative impact of severe housing cost burdens on low-income family members' mental and physical health is well documented, particularly due to increased stress from housing instability and fewer resources for food and health care (National Housing Conference, 2015: *The Impacts of Affordable Housing on Health: A Research Summary*). The poorest families who are severely cost burdened have \$225 left over each month for non-housing necessities (JCHS, 2020: *The State of the Nation's Housing 2020*). As a result, the poorest cost burdened households often forego healthy food and delay healthcare

or medications to pay for housing.

FIGURE 2: TWELVE OF THE TWENTY LARGEST OCCUPATIONS IN THE UNITED STATES PAY LESS THAN THE HOUSING WAGE



Source: Occupational wages from May 2019 Occupational Employment Statistics, BLS, adjusted to 2020 dollars. Housing wages based on HUD fair market rents.

The lowest-income households face enormous barriers in obtaining affordable and accessible housing. Data show that they have the greatest housing needs relative to all other income groups and addressing their needs should be the highest national housing priority.