

Cost of Rent

DEFINITION

Cost of rent is the percentage of income needed by a very low-income family to cover the average cost of rent.¹ A very-low-income family is defined as family income less than 50% of the median by the U.S. Department of Housing and Urban Development (HUD). A cost burden exists when more than 30% of a family's monthly income is spent on housing.

SIGNIFICANCE

Inadequate, costly or crowded housing has a negative impact on children's health, safety, education and emotional well-being. Families with cost burdens are more likely than other families to endure food insecurity, lack health insurance, have trouble paying their housing or utility bills and have difficulty paying for transportation.²

Nationally in 2005, 40% percent of families (both owners and renters) reported a cost burden, crowding, and/or physically inadequate housing. Housing problems are especially prevalent among very-low-income renters. In 2005, 36% of very-low-income renters reported a severe housing problem, with cost burdens cited as the major problem.³

In 2006 in Rhode Island, 45% of renters spent 30% or more of their household income on housing, compared to 35% in 2000. The

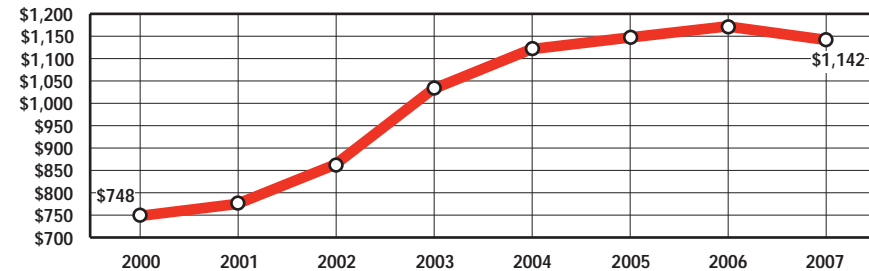
percentage of homeowners who had a mortgage that was a cost burden also increased between 2000 and 2006, from 25% to 43%.^{4,5}

Nationally and in Rhode Island, the cost of housing has outpaced the income growth of many working families.^{6,7} In 2007, the area median family income in Rhode Island was \$68,300. Families with this household income can afford a median-priced, single family home in 1 of the 39 communities in the state – Central Falls.⁸ The median cost of a single family home in Rhode Island was \$282,500, an increase of 224% over 1999 home values.⁹

Section 8 vouchers can help low-income individuals and families to afford the high cost of housing. In Rhode Island in 2007 there were 7,864 Section 8 vouchers. The average wait time to receive a Section 8 voucher was four and a half years, and at least 6,800 families with children were waiting to receive a voucher in 2007.¹⁰

In 2006 voters approved a \$50 million bond to build affordable housing in Rhode Island. In 2007, bond money funded 172 affordable apartment units and 73 affordable homeownership units. Between 2008 and 2010, additional bond money will be released for the development of additional affordable units.¹¹

Average Rent, Two Bedroom Apartment, Rhode Island, 2000-2007



Source: Rhode Island Housing and Mortgage Finance Corporation Annual Rent Surveys. The 2003-2007 rents include cost of heat, cooking fuel, electricity and hot water. All prior years' rents include only cost of heat and hot water. Adjustments for utilities vary according to each year's HUD utility allowance.

- ◆ **Between 2000 and 2006 in Rhode Island, the average cost of rent in Rhode Island steadily increased from \$748 to \$1,172. In 2007, the average cost of rent decreased by \$30 from the previous year to \$1,142.¹²**
- ◆ **To be able to pay the average rent in Rhode Island without a cost burden in 2007, a worker would have to earn \$19.77 an hour for 40 hours a week year-round. This is almost three times the state's minimum wage of \$7.40 per hour.¹³**
- ◆ **High energy costs put affordable housing even further out of reach for low-income families. Rhode Island state law prohibits utilities shut-offs for protected customers (such as the elderly, seriously ill or low-income) during the moratorium period from November 1 through April 15. In 2007, 808 protected residential customers who used electric (196) or gas (612) to heat their homes entered the moratorium period with their utilities shut off due to nonpayment.¹⁴**
- ◆ **The sub-prime mortgage crisis nationally and in Rhode Island has increased the number of homes going into foreclosure, escalating housing instability for families and children. In 2007 a total of 2,171 properties in Rhode Island were noticed for foreclosure. Between the first quarter of 2007 and the fourth quarter of 2007, foreclosure initiations increased by 203% from 278 to 842. Of the 308 initiations in December 2007, 57% (176) were located in Providence.¹⁵**

Table 8. Cost of Rental Housing for Low-Income Families, Rhode Island, 2007

CITY/TOWN	2007 AVERAGE RENT 2-BEDROOM	2007 POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT, POVERTY LEVEL FAMILY OF THREE	2007 VERY LOW INCOME FAMILY	% INCOME NEEDED FOR RENT, VERY LOW INCOME FAMILY
Barrington	\$1,272	\$17,170	89%	\$32,900	46%
Bristol	\$1,156	\$17,170	81%	\$32,900	42%
Burrillville*	\$1,029	\$17,170	72%	\$32,900	38%
Central Falls*	\$1,029	\$17,170	72%	\$32,900	38%
Charlestown	\$1,123	\$17,170	78%	\$32,900	41%
Coventry	\$1,109	\$17,170	78%	\$32,900	40%
Cranston	\$1,094	\$17,170	76%	\$32,900	40%
Cumberland	\$1,044	\$17,170	73%	\$32,900	38%
East Greenwich	\$1,118	\$17,170	78%	\$32,900	41%
East Providence	\$1,019	\$17,170	71%	\$32,900	37%
Exeter*	\$1,029	\$17,170	72%	\$32,900	38%
Foster*	\$1,029	\$17,170	72%	\$32,900	38%
Glocester*	\$1,029	\$17,170	72%	\$32,900	38%
Hopkinton	\$1,179	\$17,170	82%	\$32,900	43%
Jamestown*	\$1,029	\$17,170	72%	\$32,900	38%
Johnston	\$998	\$17,170	70%	\$32,900	36%
Lincoln	\$1,073	\$17,170	75%	\$32,900	39%
Little Compton*	\$1,029	\$17,170	72%	\$32,900	38%
Middletown	\$1,213	\$17,170	85%	\$34,850	42%
Narragansett	\$1,269	\$17,170	89%	\$32,900	46%
New Shoreham*	\$1,029	\$17,170	72%	\$32,900	38%
Newport	\$1,405	\$17,170	98%	\$34,850	48%
North Kingstown	\$1,181	\$17,170	83%	\$32,900	43%
North Providence	\$1,090	\$17,170	76%	\$32,900	40%
North Smithfield*	\$1,029	\$17,170	72%	\$32,900	38%
Pawtucket	\$1,096	\$17,170	77%	\$32,900	40%
Portsmouth	\$1,239	\$17,170	87%	\$34,850	43%
Providence	\$1,002	\$17,170	70%	\$32,900	37%
Richmond*	\$1,029	\$17,170	72%	\$32,900	38%
Scituate*	\$1,029	\$17,170	72%	\$32,900	38%
Smithfield	\$1,281	\$17,170	90%	\$32,900	47%
South Kingstown	\$1,346	\$17,170	94%	\$32,900	49%
Tiverton	\$1,136	\$17,170	79%	\$32,900	41%
Warren	\$1,054	\$17,170	74%	\$32,900	38%
Warwick	\$1,164	\$17,170	81%	\$32,900	42%
West Greenwich*	\$1,029	\$17,170	72%	\$32,900	38%
West Warwick	\$1,114	\$17,170	78%	\$32,900	41%
Westerly	\$1,110	\$17,170	78%	\$32,900	40%
Woonsocket	\$956	\$17,170	67%	\$32,900	35%
Core Cities	\$1,115	\$17,170	78%	\$33,225	40%
Remainder of State	\$1,149	\$17,170	80%	\$33,018	42%
Rhode Island	\$1,142	\$17,170	80%	\$33,050	41%

Source of Data for Table/Methodology

Rhode Island Housing and Mortgage Finance Corporation, January-December 2007 Rent Survey and the U.S. Department of Housing and Urban Development. Average rents are based on a survey of rents in Rhode Island between January and December 2007. 2007 rents have been adjusted using the current U.S. Department of Housing and Urban Development (HUD) utility allowance of \$208 for a two bedroom apartment (includes heat, cooking fuel, electricity and hot water). The average rent calculated for the state as a whole, for the remainder of state and for the core cities do not include communities for which data from the Rent Survey were not available.

* Rhode Island Housing 2007 Rent Survey data are not available for these communities. Average rent used for these communities is the HUD 2007 Fair Market Rent as reported in: Wardrip, K. E. & Pelletiere, D. (2007). *Putting the housing wage to the test: Renter households often work 40 hours or more per week but still do not earn enough to afford their state's Fair Market Rent*. Washington, DC: National Low Income Housing Coalition.

A very low-income family is defined by HUD as a 3 person family with income 50% of the median family income and is calculated separately for Hopkinton, Middletown, New Shoreham, Newport, Portsmouth and Westerly.

Rent averages are calculated using un-weighted community data, consistent with the Rhode Island Housing and Mortgage Finance Corporation methodology for the Rhode Island average rent.

References

¹ All rents have been adjusted using the HUD utility allowances to include heat, cooking fuel, electricity and hot water.

² Lipman, B. J. (2005). *Something's gotta give: Working families and the cost of housing*. (New Century Housing, Vol. 5, No. 2). Washington, DC: The Center for Housing Policy.

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