

# 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.<sup>1</sup> U.S. Department of Housing and Urban Development (HUD) defines a very low-income family as a family with an income less than 50% of the area median family income. 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, and emotional well-being, and on a family's ability to meet a child's basic needs. Children who live in families with cost burdens are more likely than other children to live in substandard or overcrowded housing and to move frequently, all of which has been linked to lower educational achievement.<sup>2,3</sup>

In 2005, 40% percent of U.S. families (both owners and renters) reported a cost burden, crowding, and/or physically inadequate housing. While the percentage of families in crowded or physically inadequate housing has decreased slightly over the past three decades, the percentage with a cost burden has increased over that same period. In 2005, 45% of very low-income renters with children paid more than 50% of their incomes toward rent.<sup>4</sup>

The growth in families' housing expenses has far outpaced income growth both nationally and in Rhode Island.<sup>5,6</sup> In 2008, the area median income in Rhode Island was \$68,908.<sup>7</sup> Families with this income can afford a median-priced, single-family home in only two of the 39 communities in the state – Central Falls and Providence.<sup>8</sup> In 2007, the median cost of a single family home in Rhode Island was \$275,000, 118% higher than 1999 but 3% lower than 2006.<sup>9</sup>

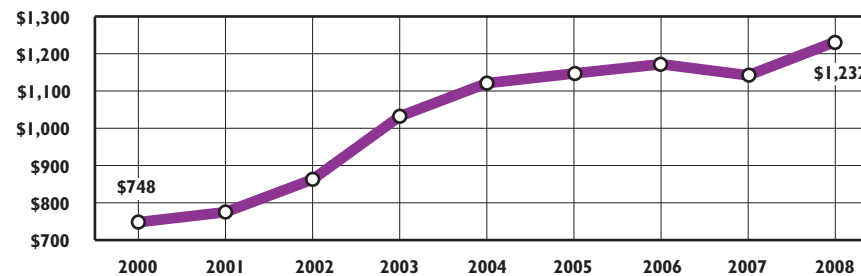
In 2008, a worker would have to earn \$23.69 and work 40 hours a week year-round to be able to afford the average rent in Rhode Island without a cost burden. This hourly wage is more than three times the state's minimum wage of \$7.40 per hour.<sup>10</sup>

Section 8 rental vouchers can help low-income individuals and families afford the high cost of housing. In 2008, 1,507 Rhode Island families received Section 8 subsidies. The average wait time to receive a Section 8 voucher was three to five years, and 2,186 families were on the waitlist to receive a voucher.<sup>11</sup>

In 2006, voters approved a \$50 million bond to build affordable housing in Rhode Island. The first \$12.5 million in bond funds has been awarded and is being used to build 283 affordable rental units and 73 affordable homeownership units in 17 cities and towns.<sup>12</sup>



**Average Rent, Two Bedroom Apartment, Rhode Island, 2000-2008**



Source: Rhode Island Housing, Annual Rent Surveys, 2000-2008. The 2003-2008 rents include adjustments for the cost of heat, cooking fuel, electricity and hot water. All prior years' rents include adjustments for the cost of heat and hot water only. Adjustments for utilities for each year vary according to HUD annual utility allowances.

◆ **Between 2000 and 2008, the average cost of rent in Rhode Island increased by 65% from \$748 to \$1,232.<sup>13</sup> The percentage of renters in Rhode Island who spent 30% or more of their household income on rent increased from just over one third (35%) of renters in 2000 to almost half (47%) in 2007. The percentage of homeowners who had a cost burden due to their mortgages also increased between 2000 and 2007, from 25% to 42%.<sup>14,15</sup>**

◆ **High energy costs put affordable housing even further out of reach for low-income families. Research shows that children in households experiencing energy shutoffs are also at risk of hunger, health, and developmental problems.<sup>16</sup> Rhode Island state law prohibits utility shut-offs for protected customers (such as the elderly, seriously ill or low-income) during the moratorium period from November 1 through April 15. Between April 16, 2008 and October 31, 2008, 2,302 residential customers had their electricity shut off and not turned back on, while 3,297 had their gas shut off and not turned back on.<sup>17</sup>**



## Foreclosures in Rhode Island

◆ **In 2008, 6,583 properties in Rhode Island were filed for foreclosure, up from 1,838 in 2007.<sup>18,19</sup> Nationally, more than 20% of properties facing foreclosure are rentals (not owner-occupied), and renters make up about 40% of families facing eviction. Rhode Island is the only New England state that does not have legislation protecting tenants after foreclosure.<sup>20</sup>**

Table 8.

## Cost of Rental Housing for Low-Income Families, Rhode Island, 2008

CITY/TOWN	2008 AVERAGE RENT 2-BEDROOM	2008 POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT, POVERTY LEVEL FAMILY OF THREE	2008 VERY LOW- INCOME FAMILY	% INCOME NEEDED FOR RENT, VERY LOW-INCOME FAMILY
Barrington	\$1,310	\$17,600	89%	\$32,900	48%
Bristol	\$1,390	\$17,600	95%	\$32,900	51%
Burrillville*	\$1,020	\$17,600	70%	\$32,900	37%
Central Falls	\$937	\$17,600	64%	\$32,900	34%
Charlestown*	\$1,020	\$17,600	70%	\$32,900	37%
Coventry	\$1,159	\$17,600	79%	\$32,900	42%
Cranston	\$1,122	\$17,600	77%	\$32,900	41%
Cumberland	\$1,254	\$17,600	86%	\$32,900	46%
East Greenwich	\$1,281	\$17,600	87%	\$32,900	47%
East Providence	\$1,150	\$17,600	78%	\$32,900	42%
Exeter*	\$1,020	\$17,600	70%	\$32,900	37%
Foster*	\$1,020	\$17,600	70%	\$32,900	37%
Glocester*	\$1,020	\$17,600	70%	\$32,900	37%
Hopkinton*	\$965	\$17,600	66%	\$32,900	35%
Jamestown	\$1,512	\$17,600	103%	\$32,900	55%
Johnston	\$1,173	\$17,600	80%	\$32,900	43%
Lincoln	\$1,240	\$17,600	85%	\$32,900	45%
Little Compton*	\$1,020	\$17,600	70%	\$32,900	37%
Middletown*	\$1,168	\$17,600	80%	\$34,850	40%
Narragansett	\$1,508	\$17,600	103%	\$32,900	55%
New Shoreham*	\$965	\$17,600	66%	\$32,900	35%
Newport	\$1,545	\$17,600	105%	\$34,850	53%
North Kingstown	\$1,216	\$17,600	83%	\$32,900	44%
North Providence	\$1,189	\$17,600	81%	\$32,900	43%
North Smithfield*	\$1,020	\$17,600	70%	\$32,900	37%
Pawtucket	\$1,068	\$17,600	73%	\$32,900	39%
Portsmouth*	\$1,168	\$17,600	80%	\$34,850	40%
Providence	\$1,163	\$17,600	79%	\$32,900	42%
Richmond*	\$1,020	\$17,600	70%	\$32,900	37%
Scituate*	\$1,020	\$17,600	70%	\$32,900	37%
Smithfield	\$1,080	\$17,600	74%	\$32,900	39%
South Kingstown	\$1,436	\$17,600	98%	\$32,900	52%
Tiverton*	\$1,020	\$17,600	70%	\$32,900	37%
Warren*	\$1,020	\$17,600	70%	\$32,900	37%
Warwick	\$1,276	\$17,600	87%	\$32,900	47%
West Greenwich*	\$1,020	\$17,600	70%	\$32,900	37%
West Warwick	\$1,175	\$17,600	80%	\$32,900	43%
Westerly	\$1,184	\$17,600	81%	\$32,900	43%
Woonsocket	\$976	\$17,600	67%	\$32,900	36%
<i>Core Cities</i>	<i>\$1,144</i>	<i>\$17,600</i>	<i>78%</i>	<i>\$33,225</i>	<i>41%</i>
<i>Remainder of State</i>	<i>\$1,258</i>	<i>\$17,600</i>	<i>86%</i>	<i>\$33,018</i>	<i>46%</i>
<i>Rhode Island</i>	<i>\$1,232</i>	<i>\$17,600</i>	<i>84%</i>	<i>\$33,050</i>	<i>45%</i>

### Source of Data for Table/Methodology

Rhode Island Housing, Rhode Island Rent Survey, 2008. Average rents are based on a survey of rents in Rhode Island conducted between January and December 2008. Rents have been adjusted using the current U.S. Department of Housing and Urban Development (HUD) utility allowance of \$262 for a two-bedroom apartment (includes heat, cooking fuel, electricity and hot water).

The average rents 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. Core cities and remainder of state rent averages are calculated using un-weighted community data, consistent with the Rhode Island Housing methodology for the Rhode Island average rent.

\* Rhode Island Housing 2008 Rent Survey data are not available for these communities. Average rent used for these communities is the HUD 2008 Fair Market Rent for the metropolitan area as reported in: National Low Income Housing Coalition. (2008). *Out of reach 2007-2008*. Retrieved February 3, 2009, from [www.nlihc.org/oor/oor2008](http://www.nlihc.org/oor/oor2008)

2008 poverty level is from the *Federal Register*, Vol. 73, No. 15, January 23, 2008, pp. 3971-3972.

A very low-income family as defined by HUD is a three-person family with income 50% of the median family income and is calculated separately for each of the three metropolitan areas comprising Rhode Island. Reported in Rhode Island Housing. (n.d.). *2008 Rhode Island income limits for low- and moderate-income households*. Retrieved February 3, 2009, from [www.rihousing.org](http://www.rihousing.org)

Core cities are Central Falls, Newport, Pawtucket, Providence, West Warwick and Woonsocket.

### References

- <sup>1</sup> All rents have been adjusted using the HUD utility allowances to include the cost of heat, cooking fuel, electricity and hot water.
- <sup>24</sup> U.S. Federal Interagency Forum on Child and Family Statistics. (2008). *America's children: Key national indicators of well-being, 2008*. Retrieved February 1, 2009, from [www.childstats.gov/americaschildren](http://www.childstats.gov/americaschildren)

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