

Cost of Housing

DEFINITION

Cost of housing is the percentage of income needed by a very low-income family to cover the average cost of rent.¹ The U.S. Department of Housing and Urban Development (HUD) defines a very low-income family as family income less than 50% of the 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 housing cost burdens are more likely than other children to live in substandard or overcrowded housing and to move frequently, all of which have been linked to lower educational achievement.^{2,3}

In 2007, 43% percent of U.S. families with children (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 2007, 16% of families paid more than half of their incomes toward rent, compared with 6% in 1978.⁴

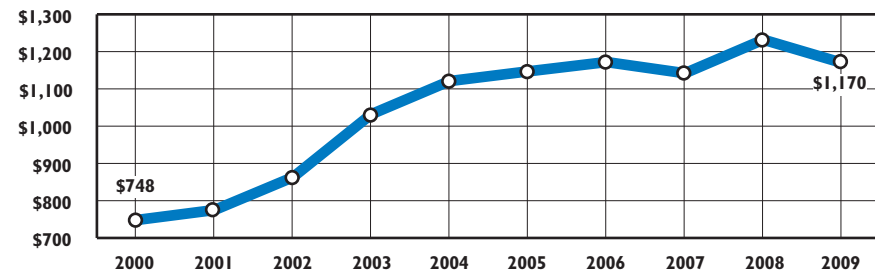
The growth in families' housing expenses has far outpaced income growth both nationally and in Rhode Island.^{5,6} In 2009, the area median income for families in Rhode Island was \$73,339.⁷ Families with this income can afford a median-priced, single family home in only thirteen of the 39 communities in the state.⁸ In 2008, the median cost of a single family home in Rhode Island was \$234,900, 86% higher than in 1999 but 15% lower than 2007.⁹

In 2009, a worker would have to earn \$22.50 an hour 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.¹⁰

Section 8 rental vouchers can help low-income individuals and families afford the high cost of housing.¹¹ In 2009, 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 1,405 families were on the waitlist to receive a voucher.¹²

In 2006, voters approved a \$50 million bond to build affordable housing in Rhode Island. From 2007 to 2008, \$25 million in bond funds was awarded and will be used to build 425 affordable rental units and 135 affordable homeownership units in 22 cities and towns.¹³

Average Rent, Two-Bedroom Apartment, Rhode Island, 2000-2009



Source: Rhode Island Housing, Annual Rent Surveys, 2000-2009. The 2003-2009 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 2009, the average cost of rent in Rhode Island increased by 56% from \$748 to \$1,170.¹⁴ 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 (49%) in 2008. The percentage of homeowners who had a cost burden due to their mortgages also increased between 2000 and 2008, from 25% to 42%.^{15,16}

◆ 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.¹⁷ Rhode Island state law prohibits utility shut-offs for protected customers (such as the unemployed and low-income families with children under age two) during the moratorium period from November 1 through April 15.^{18,19} In 2009, 268 protected residential customers who used electric and 476 who used gas to heat their homes entered the moratorium period with their utilities shut off due to nonpayment.²⁰

Foreclosures in Rhode Island

◆ The number of properties in Rhode Island filed for foreclosure has fallen from 6,583 in 2008 to 5,065 in 2009, but is still more than double the number of properties filed for foreclosure in 2007 (1,838).^{21,22,23} Nationally, more than 20% of properties facing foreclosure are rentals (not owner-occupied), and renters make up about 40% of families facing eviction.²⁴ Nationally, close to two million children are in families that have lost homes they owned due to foreclosure, with 6,200 of these children living in Rhode Island.²⁵

Table 8.

Cost of Housing for Very Low-Income Families, Rhode Island, 2009

CITY/TOWN	FAMILY INCOME		HOMEOWNERSHIP COSTS		RENTAL COSTS		
	2009 POVERTY LEVEL FAMILY OF THREE	2009 VERY LOW- INCOME FAMILY	TYPICAL MONTHLY HOUSING PAYMENT	% INCOME NEEDED FOR HOUSING PAYMENT, VERY LOW-INCOME FAMILY	AVERAGE RENT 2-BEDROOM	% INCOME NEEDED FOR RENT POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT VERY LOW- INCOME FAMILY
Barrington	\$18,310	\$32,900	\$2,993	109%	\$1,307	86%	48%
Bristol	\$18,310	\$32,900	\$2,296	84%	\$1,263	83%	46%
Burrillville	\$18,310	\$32,900	\$1,864	68%	\$1,228	80%	45%
Central Falls	\$18,310	\$32,900	\$1,101	40%	\$902	59%	33%
Charlestown*	\$18,310	\$32,900	\$2,920	107%	\$956	63%	35%
Coventry	\$18,310	\$32,900	\$1,637	60%	\$1,033	68%	38%
Cranston	\$18,310	\$32,900	\$1,644	60%	\$1,089	71%	40%
Cumberland	\$18,310	\$32,900	\$1,956	71%	\$1,170	77%	43%
East Greenwich	\$18,310	\$32,900	\$3,470	127%	\$1,208	79%	44%
East Providence	\$18,310	\$32,900	\$1,600	58%	\$1,085	71%	40%
Exeter*	\$18,310	\$32,900	\$2,626	96%	\$956	63%	35%
Foster*	\$18,310	\$32,900	\$2,040	74%	\$956	63%	35%
Glocester*	\$18,310	\$32,900	\$1,934	71%	\$956	63%	35%
Hopkinton*	\$18,310	\$34,700	\$1,889	65%	\$1,005	66%	35%
Jamestown	\$18,310	\$32,900	\$3,910	143%	\$1,637	107%	60%
Johnston	\$18,310	\$32,900	\$1,499	55%	\$1,128	74%	41%
Lincoln	\$18,310	\$32,900	\$2,186	80%	\$1,179	77%	43%
Little Compton*	\$18,310	\$32,900	\$4,839	176%	\$956	63%	35%
Middletown*	\$18,310	\$37,650	\$2,692	86%	\$1,215	80%	39%
Narragansett	\$18,310	\$32,900	\$3,067	112%	\$1,358	89%	50%
New Shoreham*	\$18,310	\$34,700	\$4,606	159%	\$1,005	66%	35%
Newport	\$18,310	\$37,650	\$2,944	94%	\$1,424	93%	45%
North Kingstown	\$18,310	\$32,900	\$2,582	94%	\$1,209	79%	44%
North Providence	\$18,310	\$32,900	\$1,563	57%	\$1,085	71%	40%
North Smithfield*	\$18,310	\$32,900	\$2,058	75%	\$956	63%	35%
Pawtucket	\$18,310	\$32,900	\$1,358	50%	\$982	64%	36%
Portsmouth	\$18,310	\$37,650	\$2,406	77%	\$1,215	80%	39%
Providence	\$18,310	\$32,900	\$966	35%	\$1,111	73%	41%
Richmond*	\$18,310	\$32,900	\$1,796	66%	\$956	63%	35%
Scituate*	\$18,310	\$32,900	\$2,223	81%	\$956	63%	35%
Smithfield	\$18,310	\$32,900	\$1,840	67%	\$1,179	77%	43%
South Kingstown	\$18,310	\$32,900	\$2,377	87%	\$1,204	79%	44%
Tiverton*	\$18,310	\$32,900	\$1,747	64%	\$956	63%	35%
Warren*	\$18,310	\$32,900	\$2,023	74%	\$956	63%	35%
Warwick	\$18,310	\$32,900	\$1,475	54%	\$1,166	76%	43%
West Greenwich*	\$18,310	\$32,900	\$2,223	81%	\$956	63%	35%
West Warwick	\$18,310	\$32,900	\$1,505	55%	\$1,022	67%	37%
Westerly	\$18,310	\$34,700	\$2,260	78%	\$1,166	76%	40%
Woonsocket	\$18,310	\$32,900	\$1,380	50%	\$948	62%	35%
<i>Core Cities</i>	<i>\$18,310</i>	<i>\$33,692</i>	<i>\$1,542</i>	<i>55%</i>	<i>\$1,065</i>	<i>70%</i>	<i>38%</i>
<i>Remainder of State</i>	<i>\$18,310</i>	<i>\$33,352</i>	<i>\$2,371</i>	<i>85%</i>	<i>\$1,206</i>	<i>79%</i>	<i>43%</i>
<i>Rhode Island</i>	<i>\$18,310</i>	<i>\$33,404</i>	<i>\$1,782</i>	<i>64%</i>	<i>\$1,170</i>	<i>77%</i>	<i>42%</i>

Source of Data for Table/Methodology

2009 poverty level for family of three as reported in: *Federal Register*, Vol. 74, No. 14, January 23, 2009, p. 4200.

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.). *2009 Rhode Island income limits for low- and moderate-income households*. Retrieved February 22, 2010 from www.rhodeislandhousing.org

Data on typical monthly housing payments are from: *HousingWorks RI 2009 fact book*. (2009). Providence, RI: HousingWorksRI. They are based on the median selling price of a single-family home in 2008 and calculated based on a 30-year mortgage at 6.03% with a 3% down payment.

Rhode Island Housing, *Rhode Island Rent Survey*, 2009. Average rents are based on a survey of rents in Rhode Island between January and December 2009. 2009 rents have been adjusted using the current U.S. Department of Housing and Urban Development (HUD) utility allowance of \$254 for a two-bedroom apartment (includes heat, cooking fuel, electricity and hot water).

* Rhode Island Housing *2009 Rent Survey* data are not available for these communities. Average rent used for these communities is the HUD 2009 Fair Market Rent for the metropolitan area as reported by Rhode Island Housing.

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

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.

References

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

²⁴ U.S. Federal Interagency Forum on Child and Family Statistics. (2009). *America's children: Key national indicators of well-being, 2009*. Washington, DC: U.S. Government Printing Office.

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