

# 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.<sup>1</sup> 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 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.<sup>2,3</sup>

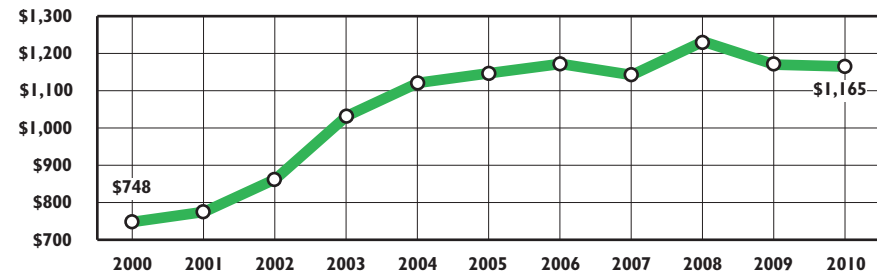
The growth in families' housing expenses has far outpaced income growth, both nationally and in Rhode Island.<sup>4,5</sup> Between 2005 and 2009, 42% of Rhode Island households (162,442 households) were cost-burdened, making Rhode Island the most housing cost-burdened state in New England.<sup>6</sup> In 2010, the area median income for families in Rhode Island was \$73,029.<sup>7</sup> Families with this income can afford a

median-priced, single family home in 24 of the 39 communities in the state.<sup>8</sup> In 2009, the median selling price of a single family home in Rhode Island was \$199,900, 59% higher than in 1999 but 15% lower than 2008.<sup>9,10</sup> Between 2000 and 2010, the amount of income required to afford a two-bedroom home in Rhode Island increased by 65.6%, a higher increase than any other state except for Hawaii.<sup>11</sup>

In 2010, a worker would have to earn \$22.40 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.<sup>12</sup> In 2010, Rhode Island required the 14th highest hourly wage to afford a two-bedroom home of any state.<sup>13</sup>

Federally funded Section 8 rental vouchers help some low-income families afford the high cost of housing; however, there are not enough vouchers to meet the need.<sup>14</sup> In 2006, Rhode Island voters approved a \$50 million bond to create affordable apartments and houses throughout the state. All bond funds will be committed by July 2011, creating over 1,000 affordable homes in 31 communities.<sup>15</sup> Rhode Island is one of only nine states that does not have a dedicated funding source for affordable housing.<sup>16</sup>

**Average Rent, Two-Bedroom Apartment, Rhode Island, 2000-2010**



Source: Rhode Island Housing, Annual Rent Surveys, 2000-2010. The 2003-2010 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 2010, the average cost of rent in Rhode Island increased by 56%, from \$748 to \$1,165.<sup>17</sup> The percentage of renters in Rhode Island who spent 30% or more of their household income on rent increased from 40% in 2002 to 50% in 2009. The percentage of homeowners who had a cost burden due to their mortgages also increased between 2002 and 2009, from 30% to 43%.<sup>18,19</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 also are at risk of hunger, health and developmental problems.<sup>20</sup> 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.<sup>21</sup> In 2010, 361 protected residential customers who used electric and 709 who used gas to heat their homes entered the moratorium period with their utilities shut off due to nonpayment, an increase of 35% and 49%, respectively, from 2009.<sup>22</sup>

## Foreclosures in Rhode Island

◆ Rhode Island continues to have one of the highest foreclosure rates in the nation and the highest foreclosure rate in New England. Over one-third of Rhode Island foreclosures are multi-family rental units. When a multifamily unit is foreclosed, an average of two to three families lose their homes.<sup>23</sup> With the foreclosure crisis affecting millions of households across the country, researchers are beginning to examine the impact of foreclosures on children's emotional health, peer networks, school mobility, school absenteeism and educational achievement.<sup>24</sup>

Table 8.

## Cost of Housing for Very Low-Income Families, Rhode Island, 2010

CITY/TOWN	FAMILY INCOME		HOMEOWNERSHIP COSTS		RENTAL COSTS		
	2010 POVERTY LEVEL FAMILY OF THREE	2010 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	\$32,450	\$2,143	79%	\$1,260	83%	47%
Bristol	\$18,310	\$32,450	\$1,645	61%	\$1,209	79%	45%
Burrillville	\$18,310	\$32,450	\$1,439	53%	\$1,276	84%	47%
Central Falls	\$18,310	\$32,450	\$634	23%	\$933	61%	35%
Charlestown*	\$18,310	\$32,450	\$1,815	67%	\$1,025	67%	38%
Coventry	\$18,310	\$32,450	\$1,325	49%	\$1,081	71%	40%
Cranston	\$18,310	\$32,450	\$1,323	49%	\$1,197	78%	44%
Cumberland	\$18,310	\$32,450	\$1,648	61%	\$1,067	70%	39%
East Greenwich	\$18,310	\$32,450	\$2,976	110%	\$1,165	76%	43%
East Providence	\$18,310	\$32,450	\$1,345	50%	\$1,119	73%	41%
Exeter*	\$18,310	\$32,450	\$1,957	72%	\$1,025	67%	38%
Foster*	\$18,310	\$32,450	\$1,820	67%	\$1,025	67%	38%
Glocester*	\$18,310	\$32,450	\$1,490	55%	\$1,025	67%	38%
Hopkinton*	\$18,310	\$35,300	\$1,737	59%	\$977	64%	33%
Jamestown	\$18,310	\$32,450	\$3,294	122%	\$1,334	87%	49%
Johnston	\$18,310	\$32,450	\$1,300	48%	\$1,159	76%	43%
Lincoln	\$18,310	\$32,450	\$1,732	64%	\$1,133	74%	42%
Little Compton*	\$18,310	\$32,450	\$2,770	102%	\$1,025	67%	38%
Middletown	\$18,310	\$37,800	\$2,001	64%	\$1,265	83%	40%
Narragansett	\$18,310	\$32,450	\$2,146	79%	\$1,285	84%	48%
New Shoreham*	\$18,310	\$35,300	\$3,640	124%	\$977	64%	33%
Newport	\$18,310	\$37,800	\$2,235	71%	\$1,311	86%	42%
North Kingstown	\$18,310	\$32,450	\$1,999	74%	\$1,256	82%	46%
North Providence	\$18,310	\$32,450	\$1,319	49%	\$1,119	73%	41%
North Smithfield	\$18,310	\$32,450	\$1,616	60%	\$1,222	80%	45%
Pawtucket	\$18,310	\$32,450	\$1,103	41%	\$995	65%	37%
Portsmouth	\$18,310	\$37,800	\$1,856	59%	\$1,441	94%	46%
Providence	\$18,310	\$32,450	\$697	26%	\$1,086	71%	40%
Richmond*	\$18,310	\$32,450	\$1,841	68%	\$1,025	67%	38%
Scituate*	\$18,310	\$32,450	\$1,900	70%	\$1,025	67%	38%
Smithfield	\$18,310	\$32,450	\$1,587	59%	\$1,255	82%	46%
South Kingstown	\$18,310	\$32,450	\$1,916	71%	\$1,259	83%	47%
Tiverton	\$18,310	\$32,450	\$1,498	55%	\$920	60%	34%
Warren*	\$18,310	\$32,450	\$1,617	60%	\$1,025	67%	38%
Warwick	\$18,310	\$32,450	\$1,178	44%	\$1,130	74%	42%
West Greenwich*	\$18,310	\$32,450	\$1,864	69%	\$1,025	67%	38%
West Warwick	\$18,310	\$32,450	\$1,126	42%	\$1,069	70%	40%
Westerly	\$18,310	\$35,300	\$1,812	62%	\$1,109	73%	38%
Woonsocket	\$18,310	\$32,450	\$1,161	43%	\$974	64%	36%
<i>Core Cities</i>	<i>\$18,310</i>	<i>\$33,342</i>	<i>\$1,159</i>	<i>42%</i>	<i>\$1,061</i>	<i>70%</i>	<i>38%</i>
<i>Remainder of State</i>	<i>\$18,310</i>	<i>\$33,033</i>	<i>\$1,865</i>	<i>68%</i>	<i>\$1,194</i>	<i>78%</i>	<i>43%</i>
<i>Rhode Island</i>	<i>\$18,310</i>	<i>\$33,081</i>	<i>\$1,757</i>	<i>64%</i>	<i>\$1,165</i>	<i>76%</i>	<i>42%</i>

### Source of Data for Table/Methodology

2010 poverty level for a family of three as reported in: *Federal Register*, 75(148), August 3, 2010. Pages 45628-45629.

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 (June 26, 2010). *2010 Rhode Island income limits for low- and moderate-income households*. Retrieved February 3, 2011, from [www.rhodeislandhousing.org/filelibrary/HUD\\_incomes\\_2010.pdf](http://www.rhodeislandhousing.org/filelibrary/HUD_incomes_2010.pdf)

Data on typical monthly housing payments are from: *HousingWorks RI 2010 fact book*. (2010). Providence, RI: HousingWorks RI. They are based on the median selling price of a single-family home using year-end 2009 data and calculated based on a 30-year mortgage at 5.04% with a 5.75% down payment.

Rhode Island Housing, *Rhode Island Rent Survey*, 2010. Average rents are based on a survey of rents in Rhode Island between January and December 2010. 2010 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 *2010 Rent Survey* data are not available for these communities. Average rent used for these communities is the HUD 2010 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 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. 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

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

(continued on page 161)