

# 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, including heat. A very low-income family is defined as family income less than 50% of the median. 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. Nationwide over the last three decades, the percentage of families with a cost burden rose from 15% in 1978 to 28% in 2001. The percentage with severe cost burdens, paying more than 50% of their income for housing, rose from 6% to 11%.<sup>1</sup>

Families with cost burdens are likely to go without other basic necessities such as food, medicine, and clothing in order to pay their rent (or mortgage) and utilities.<sup>2</sup> Between 1989 and 1999 the percentage of Rhode Island households with cost burdens increased from 55% to 58% of renters and 41% to 58% of homeowners.<sup>3</sup>

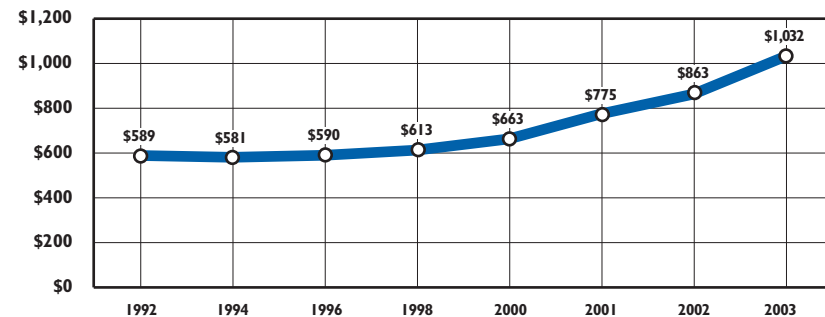
Severe financial strain can hinder effective parenting, heighten conflict and contribute to the break-up of

families.<sup>4</sup> Severe cost burdens disproportionately fall on minority and single-parent households, with nearly one in three spending more than 50% of their income on housing.<sup>5</sup>

It is estimated that 9,900 of Rhode Island's rental units have physical defects, which may include roach and rodent infestation, lead exposure, faulty wiring, inadequate heating systems, plumbing problems or lack of major appliances. Eighty percent of these are located in urban communities.<sup>6</sup> Research shows that there are strong links between substandard housing and educational disadvantages.<sup>7,8</sup>

The decline in federal housing subsidies and the growth in income inequality in Rhode Island over the last decade have contributed to the housing crisis for low-income and moderate-income families. Total federal funding for housing in Rhode Island decreased from \$56 billion in 1980 to \$29 billion in 2003.<sup>9</sup> Income inequality has led to an emphasis on high-end housing construction in the suburbs and luxury condominiums in urban areas. Lack of construction of middle-income and low-income units statewide has increased competition for low-income housing, resulting in rising rents for often substandard housing.<sup>10</sup>

  
**Average Rent, Two Bedroom Apartment, Rhode Island, 1992 – 2003**



Source: Rhode Island Housing and Mortgage Finance Corporation Annual Rent Surveys. Information not available for 1993, 1995, 1997, 1999. 2003 rent includes cost of heat, cooking fuel, electricity and hot water. All prior years' rents include only cost of heat and hot water. Adjustment for utilities varies according to each year's utility allowances.

- ◆ The cost of renting an average two-bedroom apartment in Rhode Island increased from \$589 per month in 1990 to \$1,032 in 2003. To be able to afford this rent, a worker would have to earn \$19.85 per hour for forty hours per week. This is nearly three times the state's new minimum wage of \$6.75 per hour.<sup>11</sup>

  
**Cost of Heat and Electricity**

- ◆ High energy costs put affordable housing even further out of reach for very low-income families. The Low-Income Home Energy Assistance Program (LIHEAP) is a federally-funded program that provides heating assistance to eligible low-income households (60% of the state median income for a 4-person family).<sup>12</sup> In 2001 in Rhode Island, residential energy costs for low-income households averaged \$1,614, while the average LIHEAP benefit payment was \$380 for heating.<sup>13</sup>
- ◆ In 2001 in Rhode Island, LIHEAP heating assistance was provided to only 26% of the 95,922 low-income households that were eligible for benefits.<sup>14</sup> Twenty percent of heating benefits went to households with at least one young child.<sup>15</sup>
- ◆ In 2003 in Rhode Island, 21,446 households lost utilities for non-payment.<sup>16</sup> Ninety-nine percent of the shutoffs occurred between April and October, the months when the moratorium for utility shutoffs is lifted.<sup>17</sup> More than one-third (36%) of these households had not had utilities restored as of December 2003.<sup>18</sup>

Table 7.

## Cost of Rental Housing for Low-Income Families, Rhode Island, 2003

CITY/TOWN	2003 AVERAGE MONTHLY RENT 2-BEDROOM	2003 POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT, POVERTY LEVEL FAMILY OF THREE	2003 VERY LOW-INCOME RENTER	% INCOME NEEDED FOR RENT, VERY LOW-INCOME RENTER
Barrington	\$1,198	\$15,260	94%	\$30,300	47%
Bristol	\$1,206	\$15,260	95%	\$30,300	48%
Burrillville	\$678*	\$15,260	53%	\$30,300	27%
Central Falls	\$796	\$15,260	63%	\$30,300	32%
Charlestown	\$917*	\$15,260	72%	\$30,300	36%
Coventry	\$919	\$15,260	72%	\$30,300	36%
Cranston	\$1,002	\$15,260	79%	\$30,300	40%
Cumberland	\$987	\$15,260	78%	\$30,300	39%
East Greenwich	\$1,210	\$15,260	95%	\$30,300	48%
East Providence	\$980	\$15,260	77%	\$30,300	39%
Exeter	\$917*	\$15,260	72%	\$30,300	36%
Foster	\$678*	\$15,260	53%	\$30,300	27%
Glocester	\$678*	\$15,260	53%	\$30,300	27%
Hopkinton	\$797*	\$15,260	63%	\$30,950	31%
Jamestown	\$918*	\$15,260	72%	\$30,300	36%
Johnston	\$895	\$15,260	70%	\$30,300	35%
Lincoln	\$972	\$15,260	76%	\$30,300	38%
Little Compton	\$918*	\$15,260	72%	\$30,300	36%
Middletown	\$1,276	\$15,260	100%	\$30,300	51%
Narragansett	\$917*	\$15,260	72%	\$30,300	36%
New Shoreham	\$917*	\$15,260	72%	\$30,400	36%
Newport	\$1,209	\$15,260	95%	\$30,300	48%
North Kingstown	\$1,133	\$15,260	89%	\$30,300	45%
North Providence	\$964	\$15,260	76%	\$30,300	38%
North Smithfield	\$1,021	\$15,260	80%	\$30,300	40%
Pawtucket	\$924	\$15,260	73%	\$30,300	37%
Portsmouth	\$1,255	\$15,260	99%	\$30,300	50%
Providence	\$1,012	\$15,260	80%	\$30,300	40%
Richmond	\$917*	\$15,260	72%	\$30,300	36%
Scituate	\$678*	\$15,260	53%	\$30,300	27%
Smithfield	\$955	\$15,260	75%	\$30,300	38%
South Kingstown	\$1,082	\$15,260	85%	\$30,300	43%
Tiverton	\$1,032	\$15,260	81%	\$30,300	41%
Warren	\$950	\$15,260	75%	\$30,300	38%
Warwick	\$990	\$15,260	78%	\$30,300	39%
West Greenwich	NA	\$15,260	NA	\$30,300	NA
West Warwick	\$902	\$15,260	71%	\$30,300	36%
Westerly	\$797*	\$15,260	63%	\$30,950	31%
Woonsocket	\$932	\$15,260	73%	\$30,300	37%
<i>Core Cities</i>	<i>\$963</i>	<i>\$15,260</i>	<i>76%</i>	<i>\$30,300</i>	<i>38%</i>
<i>Remainder of State</i>	<i>\$1,619</i>	<i>\$15,260</i>	<i>127%</i>	<i>\$30,300</i>	<i>64%</i>
<i>Rhode Island</i>	<i>\$1,032</i>	<i>\$15,260</i>	<i>81%</i>	<i>\$30,300</i>	<i>41%</i>

### Source of Data for Table/Methodology

Rhode Island Housing and Mortgage Finance Corporation, January-December 2003 Rent Survey and the Department of Housing and Urban Development (HUD). Average rents are based on a survey of rents in Rhode Island between January and December 2003. All 2003 rents have been adjusted using current HUD utility allowances to include heat, cooking fuel, electricity and hot water. A very low-income family is defined by the U.S. Department of Housing and Urban Development as a family with income 50% of the median family income and is calculated separately for Hopkinton, Middletown, New Shoreham, Newport, Portsmouth and Westerly.

\* Rhode Island Housing 2003 Rent Survey data are not available for these communities. Average rent used for these communities is the HUD 2003 Fair Market Rent as reported in *Out of Reach 2003*. (2003). Washington, DC: National Low-Income Housing Coalition.

### References for Indicator

- <sup>1</sup> *America's Children: Key National Indicators of Well-Being, 2003*. (2003). Washington, DC: Federal Interagency Forum on Child and Family Statistics.
- <sup>2,4,8</sup> Shore, R. (October 2000). *Our Basic Dream: Keeping Faith with America's Working Families and Their Children*. New York, NY: Foundation for Child Development.
- <sup>3</sup> U.S. Census Bureau, 1990 and 2000 Census of the Population
- <sup>5</sup> *The State of the Nation's Housing 2001*. (2001). Cambridge MA: Joint Center for Housing Research, Harvard University.
- <sup>6</sup> *The State of Rhode Island Consolidated Plan FY 2001 – 2005*. (January 2000). Providence, RI: Rhode Island Housing and Mortgage Finance Corporation.
- <sup>7</sup> *Trends in the Well-Being of America's Children and Youth*. (2002). Washington, DC: U.S. Department of Health and Human Services, Office of the Secretary For Planning and Evaluation.
- <sup>9</sup> Hirsch, E. (2003). *Housing Crisis in Rhode Island*. Providence, RI: Providence College.
- <sup>10</sup> Hirsch, E. (2001). *Rhode Island's Housing Crisis*. Providence, RI: Providence College.
- <sup>11</sup> Rhode Island KIDS COUNT calculations using data from Rhode Island Housing and Mortgage Finance Corporation.
- <sup>12</sup> *National Energy Affordability and Accessibility Project*. Retrieved, February 2004 from <http://neap.ncat.org/programs/lowincome/povertytables/rismi.htm>.
- <sup>13,14,15</sup> *The LIHEAP Databook*. (2004). Washington, DC: The Campaign for Home Energy Assistance.
- <sup>16,17,18</sup> Rhode Island Division of Public Utilities and Carriers, 2003 Monthly Utility Shut-Offs.