

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 with 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. Nationally, the percentage of families with a cost burden, crowding, and/or physically inadequate housing 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%.¹

Severe financial strain can hinder effective parenting, heighten conflict and contribute to the break-up of families.² 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.³

Families with cost burdens are likely to go without other basic necessities such as food, medicine and clothing in

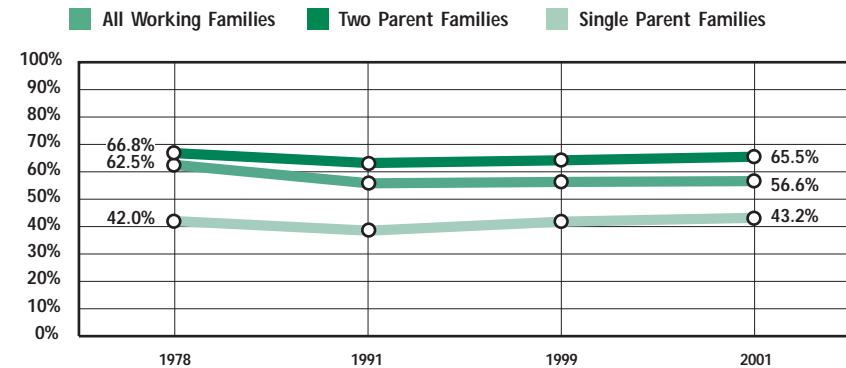
order to pay their rent (or mortgage) and utilities.⁴ In 2003, 41% percent of Rhode Island renters and 28% of homeowners spent 30% or more of their household income on housing.⁵

Nationally and in Rhode Island, the cost of housing has outpaced the income growth of many working families.^{6,7} The increasing housing costs not only negatively impacts Rhode Island's families, but the state's business communities as well. Housing represents a significant share of a household's expenditures, limiting disposable income and putting upward pressure on wages.^{8,9,10}

The current housing stock, combined with the limited construction of affordable housing has made it difficult for low-income and moderate-income families to compete in the housing market, resulting in rising rents for often substandard housing.^{11,12}

Research shows that there are strong links between substandard housing and educational disadvantages.^{13,14} In 2003 in Rhode Island, 2,312 units had severe physical defects, which may include roach and rodent infestation, lead exposure, faulty wiring or plumbing problems. An additional 14,059 units had moderate physical problems and/or lacked central heat.¹⁵

Homeownership Rates for Working Families, United States, 1978-2001



Source: *Working families with children: A closer look at homeownership trends*. (2004). Washington, DC: Center for Housing Policy.

◆ Overall in the United States, all working families with children experienced a 9% decline in homeownership rates between 1978 and 2001. Two parent working families experienced a 2% decline, while single parent families experienced an increase of 3%.¹⁶

◆ In Rhode Island, a very low-income household (earning \$30,350, 50% of the Area Median Income of \$60,700) can afford monthly rent of no more than \$759, while the average rent for a two bedroom apartment was \$1,032 in 2003.^{17,18}

◆ To be able to afford the average rent in 2003 in Rhode Island, a worker would have to earn \$19.85 per hour for forty hours per week. This is nearly three times the state's minimum wage of \$6.75 per hour.¹⁹

◆ High energy costs put affordable housing even further out of reach for low-income families. Rhode Island state law prohibits utility shut offs for protected customers — such as the elderly, seriously ill or low-income — during the moratorium period (November 1 through April 15). In 2004, 3,367 residential customers who used electric or gas to heat their homes entered the moratorium period with their utility shut off due to nonpayment. This number does not include those that heat with oil and consequently underestimates the number of individuals who went into the heating season without adequate resources to heat their homes.²⁰

Table 7. Cost of Rental Housing for Low-Income Families, Rhode Island, 2003

| CITY/TOWN | 2003 AVERAGE RENT 2-BEDROOM | 2003 POVERTY LEVEL FAMILY OF THREE | % INCOME NEEDED FOR RENT, POVERTY LEVEL FAMILY OF THREE | 2003 VERY LOW INCOME FAMILY | % INCOME NEEDED FOR RENT, VERY LOW INCOME FAMILY |
|---------------------------|-----------------------------------|--|---|-----------------------------------|--|
| 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. 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. The 2004 Rent Survey from Rhode Island Housing and Mortgage Finance Corporation was not available this year.

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

- ¹ *America's children: Key national indicators of well-being 2004*. (2004). Washington, DC: Federal Interagency Forum on Child and Family Statistics.
- ^{2,4,14} Shore, R. (October 2000). *Our basic dream: Keeping faith with America's working families and their children*. New York, NY: Foundation for Child Development.
- ³ *The state of the nation's housing 2001*. (2001). Cambridge MA: Joint Center for Housing Research, Harvard University.
- ⁵ U.S. Bureau of the Census, American Community Survey, 2003.
- ^{6,16} *Working families with children: A closer look at homeownership trends*. (2004). Washington, DC: Center for Housing Policy.
- ^{7,9} *The economic impact of the housing crisis on businesses in Rhode Island*. (2004). Providence, RI: Fleet Bank of Rhode Island and Southeastern Massachusetts and Rhode Island Public Expenditure Council.

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