

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 a family with income less than 50% of the median. Rent burdens over 30% of monthly income are considered unaffordable.

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 – that is, paying more than 30% of their income for housing – rose from 15% to 28%. The percentage with severe cost burdens, paying more than half their income for housing, rose from 6% to 11%.¹

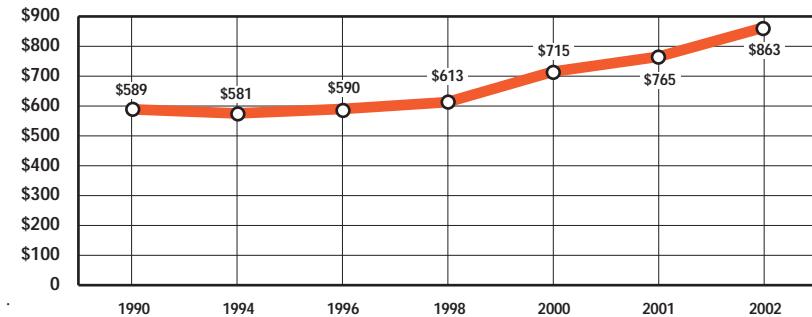
Housing that costs more than one-third of a family's income is considered unaffordable.² Families with high housing costs are likely to go without other basic necessities such as food, medicine and clothing in order to pay their rent (or mortgage) and utilities. Severe financial strain can hinder effective parenting, heighten conflict and contribute to the break-up of families.³ In 2001, there were 4 million working families spending more than 50% of their income on rent in the U.S.⁴ Disproportionately large

shares of minority and single-parent households spend more than 50% of their income on housing. Nearly one in three minority and single-parent households face severe cost burdens.⁵

It is estimated that 9,900 of Rhode Island's rental units have physical defects. Eighty percent of these are located in urban communities.⁶ Common housing problems include roach and rodent infestation, lead exposure, faulty wiring, inadequate heating systems, plumbing problems and lack of major appliances. A home's physical condition, safety, the level of crowding in a household and the quality of the surrounding neighborhood can all affect child well-being.⁷ Research shows that there are strong links between substandard housing and educational disadvantages.⁸

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. Increased income inequality has led to a greater 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.⁹

Average Rent, Two Bedroom Apartment, Rhode Island, 1990 – 2002



Source: Rhode Island Housing and Mortgage Finance Corporation Annual Rent Surveys. Information not available for 1991, 1992, 1993, 1995, 1997, 1999.

◆ The cost of renting a two-bedroom apartment in Rhode Island increased from \$589 a month in 1990 to \$863 a month in 2002. Housing prices remain out of reach for many families. A worker would have to earn \$15.09 per hour for forty hours per week to be able to afford the average two-bedroom apartment in Rhode Island. This is more than twice the current minimum wage of \$6.15 per hour.¹⁰

Homeownership

- ◆ During the 1990s, low interest rates and public policies aimed at increasing the homeownership rate nationwide enabled thousands of low-income and moderate-income families to become homeowners for the first time.¹¹
- ◆ Many low-income homeowners face increasingly high housing cost burdens. Between 1989 and 1999, the percentage of Rhode Island households with cost burdens (those paying more than 30% of their household income on housing) increased from 55% to 58% of renters and 41% to 58% of homeowners.¹²

Table 6. Cost of Rental Housing for Low-Income Families, Rhode Island, 2002

CITY/TOWN	2002 AVERAGE MONTHLY RENT 2-BEDROOM	2002 POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT, POVERTY LEVEL FAMILY OF THREE	2002 VERY LOW-INCOME RENTER	% INCOME NEEDED FOR RENT, VERY LOW-INCOME RENTER
Barrington	\$1,052	\$15,020	84%	\$28,100	45%
Bristol	\$919	\$15,020	73%	\$28,100	39%
Burrillville	NA	\$15,020	NA	\$28,100	NA
Central Falls	\$682	\$15,020	54%	\$28,100	29%
Charlestown	\$936	\$15,020	75%	\$28,100	40%
Coventry	\$758	\$15,020	61%	\$28,100	32%
Cranston	\$851	\$15,020	68%	\$28,100	36%
Cumberland	\$886	\$15,020	71%	\$28,100	38%
East Greenwich	\$913	\$15,020	73%	\$28,100	39%
East Providence	\$800	\$15,020	64%	\$28,100	34%
Exeter	NA	\$15,020	NA	\$28,100	NA
Foster	NA	\$15,020	NA	\$28,100	NA
Glocester	\$817	\$15,020	65%	\$28,100	35%
Hopkinton	NA	\$15,020	NA	\$29,950	NA
Jamestown	NA	\$15,020	NA	\$28,100	NA
Johnston	\$817	\$15,020	65%	\$28,100	35%
Lincoln	\$843	\$15,020	67%	\$28,100	36%
Little Compton	NA	\$15,020	NA	\$28,100	NA
Middletown	NA	\$15,020	NA	\$29,050	NA
Narragansett	\$1,035	\$15,020	83%	\$28,100	44%
New Shoreham	NA	\$15,020	NA	\$29,050	NA
Newport	\$1,132	\$15,020	90%	\$29,050	47%
North Kingstown	\$885	\$15,020	71%	\$28,100	38%
North Providence	\$768	\$15,020	61%	\$28,100	33%
North Smithfield	NA	\$15,020	NA	\$28,100	NA
Pawtucket	\$736	\$15,020	59%	\$28,100	31%
Portsmouth	NA	\$15,020	NA	\$29,050	NA
Providence	\$884	\$15,020	71%	\$28,100	38%
Richmond	NA	\$15,020	NA	\$28,100	NA
Scituate	NA	\$15,020	NA	\$28,100	NA
Smithfield	\$905	\$15,020	72%	\$28,100	39%
South Kingstown	\$889	\$15,020	71%	\$28,100	38%
Tiverton	NA	\$15,020	NA	\$28,100	NA
Warren	\$828	\$15,020	66%	\$28,100	35%
Warwick	\$841	\$15,020	67%	\$28,100	36%
West Greenwich	NA	\$15,020	NA	\$28,100	NA
West Warwick	\$799	\$15,020	64%	\$28,100	34%
Westerly	\$844	\$15,020	67%	\$29,950	34%
Woonsocket	\$749	\$15,020	60%	\$28,100	32%
Core Cities	\$830	\$15,020	66%	\$28,100	35%
Remainder of State	\$873	\$15,020	70%	\$28,100	37%
Rhode Island	\$863	\$15,020	69%	\$28,100	37%

Source of Data for Table/Methodology

Rhode Island Housing and Mortgage Finance Corporation, January-December 2002 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 2002. Rents include the HUD allowance for heat, if heat was not included in the advertised rent. 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.

References for Indicator

- ¹ *America's Children: Key National Indicators of Well-Being, 2002* (2002). Washington, DC: Federal Interagency Forum on Child and Family Statistics.
- ² *Rental Housing for America's Poor Families: Farther Out of Reach Than Ever* (2002). Washington, DC: National Low-Income Housing Coalition.
- ^{3,8} Shore, R. (October 2000). *Our Basic Dream: Keeping Faith with America's Working Families and Their Children*. New York, NY: Foundation for Child Development.
- ⁴ *America's Working Families and the Housing Landscape 1997-2001* (November 2002). Washington, DC: Center for Housing Policy/National Housing Conference.
- ⁵ *The State of the Nation's Housing 2001* (2001). Cambridge, MA: Joint Center for Housing Research, Harvard University.
- ⁶ *The State of Rhode Island Consolidated Plan FY 2001 - 2005* (January 2000). Providence, RI: Rhode Island Housing and Mortgage Finance Corporation.
- ⁷ *Trends in the Well-Being of America's Children and Youth* (2001). Washington, DC: U.S. Department of Health and Human Services, Office of the Secretary for Planning and Evaluation.
- ¹⁰ Rhode Island KIDS COUNT calculations using data from Rhode Island Housing and Mortgage Finance Corporation.
- ⁹ Hirsch, E. (2001). *Rhode Island's Housing Crisis*. Providence, RI: Providence College.
- ¹¹ *The State of the Nation's Housing 2002* (2002). Cambridge, MA: Joint Center for Housing Research, Harvard University.
- ¹² U.S. Census Bureau, 1990 and 2000 Census of the Population.