

Paradigm Shift Needed to Help Families Struggling With Housing Costs



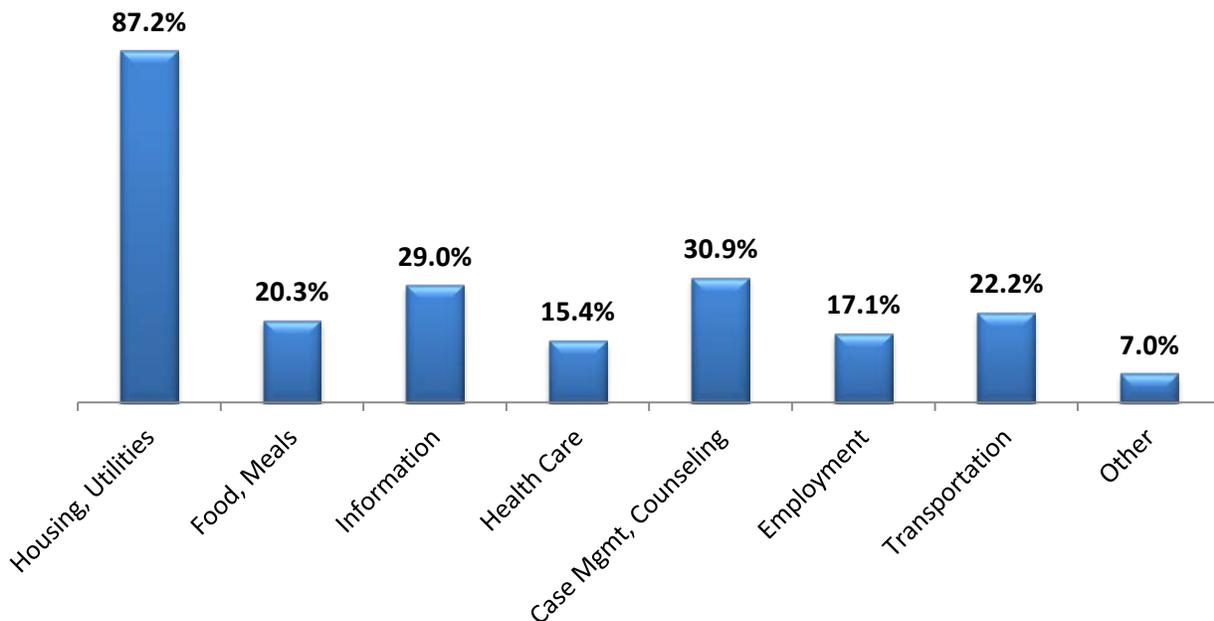
According to the 2012 American Community Survey of the U. S. Census Bureau, 48.7% of Davidson County renters were paying more than 30% of their household

Data for Davidson County indicates that many people have difficulty in meeting the financial needs of their families. For example, during the five years the annual Grassroots Community Survey was conducted, two gaps in services were consistently identified. These frequently identified needs were Housing and Related Assistance (assistance with rent and utilities) and Workforce and Economic Opportunity (training and help finding a job).

In 2012, United Way's 2-1-1 Call Center received 78,047 calls requesting assistance in basic needs. During a front-desk survey conducted at Metro Social Services in 2013, most people who sought assistance (87.2%) identified the need for housing and housing-related (rent, utilities, money for deposits, etc.) assistance.

Percentage of Each Need Selected by MSS Walk-In Customers

July 2013 - March 2014



Percentages total more than 100% because people could select more than one need



It has been documented that the cost of rental properties increased as the demand for rental properties grew, partly because of the Great Recession. As the number of people in poverty rises, the statistics represent the hardship faced by many of these families as they struggle to meet the basic needs, including housing and housing-related needs and the impact it will have on their well-being.

The root causes of the inability of many households to seek housing assistance stems from the shrinking stock of affordable housing and the decline of the real earnings of low-income households. A report by Joint Center for Housing Studies of Harvard University, *America's Rental Housing – Evolving Markets and Needs* described how American households increasingly turned to the rental market for their housing.

America's Rental Housing attributes these changes to a number of factors, including the foreclosures and the sustained unemployment brought by the Great Recession. The report notes these conditions have given incentives to renting, including the greater ease of moving, the ability to choose housing that better fits the family budget, and the freedom from responsibility for home maintenance.

http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf

The other contributing factor to the inability of low-income households' struggles to meet housing cost is the significant decline in incomes of most low-income households. According to a report by the Economic Policy Institute, *A decade of Flat Wages: The Key Barrier to Shared Prosperity and a Rising Middle Class*, the median worker saw a wage increase of just 5.0% between 1979 and 2012. Actually the 20th percentile worker (those making less than \$11.00 per hour saw their wages decline 0.4 percent in the same period. <http://www.epi.org/publication/a-decade-of-flat-wages-the-key-barrier-to-shared-prosperity-and-a-rising-middle-class/>

A recent report by the Bureau of Labor Statistics, *Characteristics of Minimum Wage Workers, 2013* notes that, nationwide, there are 3.3 million workers with wages at or below the federal minimum. The State of Tennessee leads the states with the highest percentages of hourly paid workers earning at or below the federal minimum wage at 7.1% or 117,000 workers.

The workers in these categories are more likely to be young, unmarried women, in service occupations, and have low educational attainment. In this situation, having a full time job alone would not secure enough income to meet ends.

<http://www.bls.gov/cps/minwage2013.pdf>

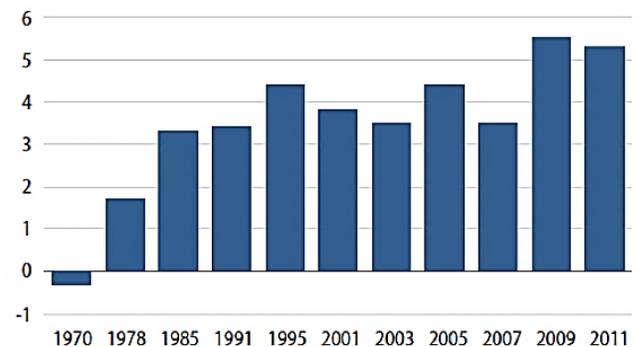
Households may become homeless when their financial circumstances are such that they cannot pay their rent, which occurs for many who have jobs. As described in *Here's How We Can Fight*

Homelessness (December 5, 2013, *ThinkProgress*), the shortage of U.S. rental units that are affordable for poor households continues to grow.

There has been a dramatic change since 1970 when the low-cost units exceeded the number of low-income people by about 300,000. As shown in the chart, the shortage increased to more than \$5 million since 2009. Another consideration is that there is a far greater demand for rental subsidies than funds are available, with only about one-fourth of the need currently met.

<http://thinkprogress.org/economy/2013/12/05/3025251/fight-homelessness/>

Disparity between need and availability of affordable units for poor renters (in millions)



Sources: The Institute for Children, Poverty, and Homelessness, "A Home by Any Other Name" (2012), Figure 18, available at http://www.icphusa.org/filelibrary/ICPH_PolicyBrief_AHomeByAnyOtherName.pdf; Joint Center for Housing Studies, "The State of the Nation's Housing 2013" (2013), available at <http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/son2013.pdf>.

CREDIT: CENTER FOR AMERICAN PROGRESS

The Great Recession exacerbated the already severe cost burdens of low-income workers as they continued to experience sustained unemployment while incomes and rents drifted apart.

This hardship makes households resulted in difficult tradeoffs with the continuing increase in housing costs. As many low-income renters are typically in aging structures (with insufficient insulation or ineffective HVAC equipment), the share of income they spend on energy cost increases during extreme weather conditions. When households pay more than half their incomes for housing and housing-related expenses, they have much less to spend on other items that are essential to their quality of life.

As described in the recent 2013 Community Needs Evaluation, agencies report an increase in the number of requests for food assistance and SNAP (Supplemental Nutrition Assistance Program) because less income remains for other basic needs.

Anecdotal information from some of the local financial assistance providers indicate that local assistance efforts have failed to keep pace with the increasing need. According to these conversations, there is no organization capable of providing the entire amount of assistance requested by some households.

As more and more households appear to be struggling paying their housing and housing related expenses, it is imperative that communities seek an alternative paradigm that replaces the current unsustainable one. The alternative paradigm should simultaneously address the underlying causes of low-income renters' inability to meet the housing expenses as well as the lack of affordable housing and income erosion.