

Out of Reach 2011: Housing Wage Continues to Rise

The National Low Income Housing Coalition released its annual Out of Reach report on May 2.

NLIHC Memo to Members

May 6, 2011

Out of Reach 2011 shows that the gap between what is typically earned by renter households and the income needed to afford a decent apartment continues to grow. This year, the national Housing Wage rose two cents to \$18.46, while the average wage among renters fell dramatically to \$13.52 from \$14.44 in 2010. The Housing Wage is the hourly wage one must earn in order to be able to afford a two-bedroom apartment at the Fair Market Rent (FMR).

The wages a renter would need to earn to afford a one bedroom (\$15.48), or even a studio (zero-bedroom) rental home (\$13.70) at the FMR also exceed the national renter wage. The growing gap between the Housing Wage and the average renter wage is a strong indicator of the challenges faced by renters seeking affordable apartments while holding shrinking paychecks.

In 2011, the federal minimum wage is \$7.25. At this wage, a household can afford to spend only \$377 on rent each month. In 28 states across the nation, more than two full time minimum wage jobs are required to afford the two-bedroom FMR. A minimum wage worker needs to work 102 hours a week to afford a two bedroom unit, on average nationwide.

Perhaps the most important aspect of Out of Reach 2011 is that it provides a localized picture of the affordability crisis, and shows that it is being felt nationwide. While the Housing Wage varies considerably across the country, renters consistently do not earn enough to afford even a one bedroom unit. For example, the one bedroom Housing Wage in South Carolina is \$11.81, yet the average renter earns only \$10.64 an hour. In Connecticut, the affordability gap is even wider. Renters in Connecticut earn \$15.10 an hour while the Housing Wage for a one bedroom unit is \$19.27, resulting in a gap of four dollars per hour.

The report was released in press conference call that featured NLIHC President and CEO Sheila Crowley, NLIHC Research Director and Chief Economist Danilo Pelletiere, and HUD Assistant Secretary for Policy Development and Research Raphael Bostic. In his remarks, Mr. Bostic referred to the findings of the recent Worst Case Housing Needs report. Worst case housing needs refer to the housing needs of renters who earn half of their area's median income and also pay over half their income for housing, or live in substandard housing, or both. Mr. Bostic cited the alarming statistic that worst case housing needs increased 20% between 2007 and 2009, the largest such increase since HUD began focusing on this vulnerable population.

In reaction to this finding and those in Out of Reach, Mr. Bostic stressed the need to support the preservation of existing housing while also expanding the availability of

affordable housing rentals. Mr. Bostic noted that increased production of affordable housing requires a dedicated source of funding.

Following in this vein, Ms. Crowley emphasized that current housing assistance programs serve only one of every four eligible households. She stressed that the capitalization of the National Housing Trust Fund as a dedicated source of funding is necessary to address the immense need for affordable housing indicated by the numbers in Out of Reach. As one of a number of means of funding additional affordable housing, Ms. Crowley outlined a proposal to reform the mortgage interest deduction. By turning the deduction into a tax credit, \$30 billion would be saved annually and the tax credit would reach many more Americans than does the current deduction. The savings could then be used to capitalize the National Housing Trust Fund without adding to the national deficit.

Out of Reach 2011 can be found at: <http://www.nlihc.org/oor/oor2011/>

To view the press release on the report, visit
http://nlihc.org/detail/article.cfm?article_id=7864&id=48

For a recent example of advocacy using Out of Reach data, please visit the NLIHC blog at:
<http://nlihc.wordpress.com/2011/04/29/out-of-reach-the-view-from-minnesota/>