

THE URBAN PROSPECT

Housing, Planning and Economic Development in New York

March/April 2003

Volume 9, Number 1

Heavy Burdens

One of the most disturbing aspects of New York City's housing environment is the large number of renters who spend the majority of their income on rent. According to the most commonly cited data, over 500,000 of the city's households devote at least one-half of their gross income to rental payments on their apartments.

While such figures are often quoted by housing advocates, there has been relatively little analysis of the high rent-burden population. For some households, high rent-to-income ratios may be a temporary condition resulting from short-term unemployment or other disturbances to income. For others, it may be a long-term but sustainable situation that reflects their life-cycle circumstances. For still others, very high rent burdens may signify a perilous housing status that portends homelessness or other serious family disruptions.

In order to effectively target housing policies and to identify dangerous gaps in the social safety net, it is important to analyze carefully the high-burden population and their housing circumstances. To do so, CHPC utilized data from the New York City Housing and Vacancy Survey (HVS) for 1993, 1996 and 1999.

Discounting the Data

It is conventional to use a 30 percent rent-to-income ratio as a cut-off for measuring unduly high housing costs. Our intention, however, is to investigate the circumstances of households who have rent burdens high enough to pose an immediate threat to their housing stability and well-being. For this reason, we limit our analysis to households that have a rent-to-income ratio of 50 percent or greater.

Unfortunately, that still leaves a very large sample of households to analyze. In 1999, nearly 28 percent of New York City renters paid over half of their reported gross incomes in rent, a slight increase from 26 percent in 1993. In fact, all of the increase was accounted for by households whose annual rent bills exceed their income.

Before proceeding further, it is worthwhile to consider the credibility of those numbers. It is difficult for most of us to imagine spending half or more of our incomes on rent, and

it is clearly impossible to spend more on rent than one takes in income, at least for very long. How then, can so many New York City renters have such high rent burdens? While it is possible that the figures for high-burden families are accurate (some may be living off their savings), there are also reasons the figures should not be accepted at face value.

The possibility that households misreport income and other characteristics has long troubled economists who rely on survey data, and they have done extensive analysis of the problem. Several studies have evaluated the extent of income misreporting in the Current Population Survey, an important national survey that is similar in many ways to the HVS. The findings suggest that much of the bias in earnings data occurs because low-income males tend to overstate their earnings. In fact, men are less accurate reporters than women at all income levels, tending to overreport income when they earn little and to underreport it when they earn much. The studies have also concluded that misreporting is not otherwise related to age, education, or other demographic traits. While no one really knows how much income earned in the informal economy goes unreported in surveys, those studies, in conjunction with other evidence, suggests that its extent can easily be overstated. Most of those who claim to be poor in statistical surveys probably are.

Another consideration in evaluating rent-burden data is that households may receive public subsidies that are not typically counted as income. One important subsidy is Section 8 rental assistance, which enables a recipient to rent an apartment at a rate disproportional to their income. Information on rent subsidies is collected by the HVS, and our tabulations indicate that approximately 16 percent of all high-burden families in the city receive Section 8. Another 14 percent of families with high rent burdens live in HUD-regulated housing (usually, Section 8 project-based housing), public housing, or *in rem* housing. When those households are subtracted out, either because their rent-to-income burdens are misleading or because they already live in subsidized housing, we are left with about 384,000 households, or about 20 percent of all renters, who have ratios of 50 percent or greater. At the

time of the 1999 survey, about 20,000 welfare families also received court-ordered Jiggetts rent supplements, probably lowering the high-burden proportion to about 17 percent.

High-burden families who do not receive Section 8 or other housing subsidies may still receive income supports that lower their effective rent-to-income ratios. For example, a minimum wage worker would earn approximately \$10,700 per year, and if he or she paid \$500 per month in rent, their rent-to-income ratio would be 56 percent. However, if the household had two children, was eligible for food stamps and availed themselves of the federal and state earned income tax credits, their effective rent burden would be about 39 percent. Such a family would still live in relative deprivation, but the proportion of their true income spent on housing would be less than it appears. Unfortunately, it is not possible from HVS data to estimate the number of high-burden families who receive such income support.

Some low-income households may also receive financial assistance from friends or family, which they quite understandably would not consider "income." For example, a single mother may have a portion of her living expenses paid for by a boyfriend, whether or not he actually lives with her. Likewise, an elderly parent may get cash assistance from adult children, or have some of his or her medical or housing costs paid by them. There is very little existing research on such informal income transfers and their magnitude is entirely unknown.

Taking the sources of possible bias into account, the reader should recognize that while the broad patterns described below are probably reliable, citation of specific percentages may imply more precision than the data justify.

Patterns of Vulnerability

Identifying the residential patterns and characteristics of households with high rent burdens helps to clarify the problem and can be instrumental in formulating policy responses. In general, we find that demographic factors are more important than housing factors in determining who are burdened by very high rent ratios.

Although every borough and community has a substantial number of high-burden renters, there is also significant variation among them. For example, renters in the Bronx are nearly 50 percent more likely to have high rent-to-income ratios than renters in Staten Island. Despite having the highest rents of any borough, Manhattan has the second lowest proportion of its renters with high rent-to-income ratios. A similar pattern holds true at the community level; households in low-income areas are more likely to have high rent burdens than those in higher-income areas. For example, 32 percent of households in low-income areas report rent-to-income ratios above 50 percent, compared to 24 percent in

high-income communities.

There is a surprising uniformity of high-burden households across housing types. While about 27 percent of Rent Stabilized tenants report spending more than half of their incomes on rent, a virtually identical 26 percent of unregulated tenants do so as well. Significant percentages of tenants in public housing and *in rem* housing also report high rent burdens. Mitchell-Lama buildings have the highest proportion of their tenants reporting that they spend at least half of their incomes on rent. Most likely, that is because Mitchell-Lama housing has a disproportionate number of elderly tenants, whose income has declined from their working-age peaks.

Moreover, there are no significant differences in housing quality. The distribution of apartment sizes of households with high and low rent burdens is almost identical, as is their maintenance condition. About 20 percent of households with high rent burdens live in apartments with three or more serious maintenance deficiencies, compared to 19 percent with those with lower rent burdens.

While the housing circumstances of households with high rent burdens strongly resemble those of other renters, there are very distinct demographic profiles for each group. One of the most pronounced differences between high-burden households and other renters is their ages. High rent burdens occur disproportionately among families headed by very young persons or elderly persons. One-third of all households with rent-to-income ratios exceeding 50 percent are headed by persons under the age of 25 or over the age of 64.

About 41 percent of the city's elderly and young tenants report that they spend over half their income on rent. When those who already receive housing subsidies--Section 8 vouchers, public or *in rem* housing, and HUD-assisted housing--are subtracted, the proportion is 34 percent in each case. Although young families are much more likely to have children present, raising nutritional and other developmental concerns, they are also much more likely to "grow out" of their high rent burdens as their incomes increase. For the elderly

CITIZENS HOUSING AND PLANNING COUNCIL

50 East 42nd Street Suite 407 New York NY 10017
Please call (212) 286-9211 for membership information.

Officers

Marvin Markus, *President*
James Lipscomb, *Chairman*
Sander Lehrer, *Secretary*
Robert Berne, *Treasurer*

Staff

Frank Braconi, *Executive Director*
Martha Galvez, *Policy Analyst*
Paul Stern, *Policy Analyst*
Elaine R. Toribio, *Policy Analyst*
Jasper Shahn, *Development Associate*
Shawn Bridgeman, *Staff Associate*

CHPC is a nonprofit, non-partisan membership organization
founded in 1937. Contributions are tax deductible.

<http://www.chpcny.org>

with high rent burdens, however, the condition is likely to be permanent.

About 24 percent of tenant households headed by prime-aged people (ages 25-64) have high rent burdens. When those receiving some kind of housing subsidy are excluded, the proportion falls to 18 percent. Some 38 percent of those high-burden, unsubsidized households are single people. Underscoring the disadvantage single people have in New York's housing market, 22.5 percent of the city's prime-age tenants living alone spend half or more of their incomes on rent, compared to only 10.8 percent of those who share apartments with spouses or other adults.

Overall, households with children are only slightly more likely to have high rent burdens than are households in which no children are present. However, that similarity masks very dramatic differences in the housing status of different family types. Only 18 percent of married couple families with children have rent-to-income ratios over 50 percent, compared to 42 percent of female-headed families with children and 47 percent of young families with children. Those differences are lessened somewhat by subsidized housing and rent vouchers, which go disproportionately to female-headed families with children. Still, almost one-quarter of unsubsidized female tenants with children report that they spend at least half of their income on rent.

Income Inadequacy

The starkest demographic difference between those with high rent burdens and other renters is income. Barely one percent of all city renters who report earnings of \$50,000 or more spend a majority of their incomes on rent; less than 10 percent report spending even one-quarter of their incomes on rent. Conversely, 54 percent of households with incomes under \$25,000 have high rent burdens. Households with high rent-to-income ratios suffer from unusually low incomes rather than from unusually high housing costs.

Over 40 percent of the city's renters who are 65 years of age or older are high-burden renters. In 1999, those who did not have high rent burdens reported household incomes averaging \$26,321, compared to just \$9,136 for those whose rent-to-income ratios exceeded 50 percent. For those with high rent burdens, nearly two-thirds of annual household income came from Social Security; wage, salary and retirement income averaged only \$1,600 per year. By comparison, elderly households who did not have high rent burdens received, on average, over \$4,000 in retirement income and more than \$10,000 in wage or salary income. In effect, if elderly persons do not work and do not have private retirement income to supplement their Social Security, they are likely to live with extremely high rent burdens.

The income gap between low-burden and high-burden

renters is even larger when the household is headed by a working-age person. Among households with heads under age 65, those with lower rent burdens had average annual incomes of \$50,286 in 1999, compared to only \$10,301 for households with high rent burdens. Not surprisingly, most of the difference in income was due to differences in salary and wage earnings.

Characteristics of Households With Rent-to-Income Ratios Exceeding 50 Percent

	% of all renters	% of high-burden renters
<i>Household Type:*</i>		
Elderly Head	17.2	27.0
Young Head	5.3	8.3
Single Adults	23.7	24.8
Adults Sharing	21.8	11.0
Families w/Children	32.1	28.9
Two Parents	16.1	11.4
Female Headed	14.1	16.1
<i>Housing Type:</i>		
Public Housing	8.4	6.0
HUD Regulated	2.6	3.2
Rent Stabilized	50.0	53.2
Rent Controlled	2.6	2.8
Unregulated	28.6	25.9

**For Household Types, the high-burden percentages exclude households who live in public or assisted housing and those who receive Section 8 rent subsidies.*

Only 43 percent of high-burden renter households had an employed head in 1999, an employment rate about half that of other non-elderly renter families. While their unemployment rate was twice that of other renters, many more of them were not in the labor force at all. Almost half of working-age, high-burden household heads were not in the labor force in 1999, compared to just 16 percent of those with low rent burdens. In general, high-burden renters not in the labor force had lower levels of education and less recent work experience than low-burden renters who were not employed or looking for work. The reasons most frequently cited by high-burden renters for not working were ill health (36 percent) and family responsibilities (23 percent). If, in fact, their health problems were a real obstacle to working, their high rent burdens indicate a serious gap in the public safety net.

Staying Power

Two very important questions arise when considering households with high rent burdens. First, are their high burdens a

prelude to housing instability? Second, is it a long-term or transitory condition?

CHPC sought to shed light on those question by exploiting the longitudinal characteristics of the HVS. In conducting the survey, the Census Bureau attempts to revisit the same dwelling units each time it is taken. About 90 percent of the surveyed units can thus be linked from survey to survey, allowing researchers to see how the circumstances of a tenant family changed over time, or to determine whether they moved out of the unit.

CHPC extracted a sample of 8,167 occupied apartments from the 1996 HVS which could be identified in the 1999 survey as well. Within that sample frame, we identified households that had rent-to-income ratios of 50 percent or more in 1996 and determined if they still lived in the same apartment three years later. We found that approximately 36 percent of the households with high rent burdens in 1996 had moved within the subsequent three years, a mobility rate slightly below that of renters without high rent burdens.

In order to adjust for the different demographics of renters with normal and high rent burdens, we also estimated a multivariate probability model that used age, gender, marital status, type of housing, and apartment size as control variables, along with a number of other demographic and housing characteristics. The probit regression did not indicate that a high rent burden is a portent of housing mobility; when relevant demographic and housing characteristics are controlled for, renters with high rent burdens are no more likely to move from their apartments than are other renters. That finding suggests that high rent burdens do not necessarily lead to housing instability. However, that does not mean that high rent burdens are not a prelude to homelessness or other adverse housing outcomes, since we cannot tell where the movers went once they left their initial apartments. Whereas most renters move in order to improve their housing conditions, that may not be the case for those who leave their apartments under economic duress.

Utilizing the longitudinal features of the HVS, we were also able to evaluate how the circumstances of high-burden renters changed when they stayed in the same apartment. We found that of the 1,419 sample households who had a rent-to-income ratio of 50 percent or greater in 1996 and were still in their original apartment in 1999, 55 percent no longer had excessively high burdens. Moreover, the rent-to-income ratios of those households declined by a significant amount, averaging just 26 percent in 1999. This finding mirrors the picture that emerges from contemporary poverty research--that there is a significant degree of cycling into and out of poverty. It implies that many households may experience a loss of income that plunges them into high burden status for a time. We found that 19 percent of non-

moving renters who had normal rent-to-income ratios in 1996 had excessively high rent burdens by 1999.

Among family types, working-age single mothers with children, and elderly households, were the least likely to exit

Exit Rates From High Burden Status*

<i>Household Type:</i>	Percent
Eldery Head	40.9
Young Head	50.0
Single Adults	60.2
Adults Sharing	66.7
Two Parents w/children	74.6
Female-Headed w/children	37.5
<i>Housing Type:</i>	
Public Housing	72.6
HUD Regulated	62.5
Pre-1947 Stabilized	52.5
Post-1947 Stabilized	47.9
Rent Controlled	47.2
Unregulated	59.5

**Exit Rate represents the proportion of households with a 50% or higher rent-to-income ratio in 1996 who did not move and who had less than a 50% ratio in 1999*

from high rent burden status. In contrast, nearly 80 percent of working-age married couples who had high rent burdens in 1996 had reduced them to normal levels by 1999.

Lending a Hand

Our analysis shows that commonly cited figures on households with high rent-to-income ratios mask a more complicated housing reality for New York's renters.

Many more households than is commonly believed incur housing costs that consume a majority of their incomes, but for most of them such housing pressure is episodic and they rectify the situation without public intervention. Their high rent burdens are caused not by unusually high housing costs, but by temporary income shortfalls. At the same time, many of our city's elderly and single women with children live for long periods under extreme housing cost pressure.

A fuller appreciation of the characteristics of the high-burden population can contribute toward a better targeting of income support and housing assistance programs. The transitory nature of very high rent burdens for most families argues for a greater focus on short-term rental assistance programs. At the same time, the disproportionate representation of the elderly and of female-head families among the permantly rent-stressed suggests that long-term solutions to their plight are required. -- Frank Braconi

