
Poverty: Housing in Low Income Neighborhoods

Facts, Baltimore City Issues, Options for Advocacy



Prepared by the Grantee Assistance
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FACTS

- Affordable housing. When housing costs exceed **30%** of a household's income, it is judged to be cost-burdened. Households that spend more than **50%** of their incomes on housing (one in seven U.S. households) are severely cost-burdened. In 2005, households in the bottom quarter of income accounted for 78% of the severely housing cost-burdened. Half of all low-income households in Maryland are severely housing cost-burdened, a sharp rise in the past four years. **(SONH)**
- Poverty. The federal poverty threshold (the same throughout the country) in 2006 for a family of four (two children under 18), is \$20,444. For a family of three (parent and two children), the threshold is \$16,242. **(BOC)**
- Housing-induced poverty. After paying for housing, many families cannot afford other necessities. In 1999, it is estimated that 3.8 million households in the U.S. that were above the official poverty threshold could not afford minimum subsistence goods. Households that choose housing burdens higher than 30%, but can still afford basic necessities, are not viewed as having an affordability problem. More than a third of near-poor households (income of less than 200 percent of the poverty threshold) in central cities in the northeast region of the U.S. are in housing-induced poverty. **(Kutty)**
- Government role in affordable housing. The U.S. Housing Act of 1949 set a national goal of providing "a suitable home in a decent living environment for every American family." The federal government continues to have primary responsibility for housing the poorest of the country's citizens but housing assistance as a percentage of the non-defense discretionary budget has dropped from 10.2% in 1998 to 7.7% in 2006. In the past year, federal housing assistance did not keep pace with inflation, resulting in a real cut of 2.3%. **(SONH)**
- Public housing history. The National Housing Act of 1937 created the first public housing program in the U.S. with three purposes: 1) job creation and economic development (to put people to work building housing after the Depression); 2) slum clearance (which explains the inner city sites selected); and 3) affordable housing production. The housing was meant to be temporary, until families got "back on their feet." In the early years, the federal government provided construction funds and rents covered operating costs, with no reserves for replacement of major systems and equipment. This flaw in the original financing plan has resulted in the deteriorated conditions seen today. Expressway construction in the 1950s and 1960s displaced many poor people and high rise public housing was constructed to house them, which resulted in an intense concentration of the poor. During the War on Poverty in the 1960s, massive public housing complexes were built in racially isolated areas; welfare policy discouraged resident fathers; and family income limits below 50% of national median ensured that the resident populations would be poorer and poorer. Finally, in 1969, Congress acknowledged that rental income was insufficient to cover public housing operating costs, federal operating subsidies were introduced, and a formula system for distributing them was adopted in 1975. The formula and the total funds available have proven to be insufficient to cover operating costs. The requirements that eligibility is limited to those earning less than 50% of median income, and preferences to homeless, those paying more than 50% of their income for housing, and those living in substandard housing have made public housing the housing of last resort. They are isolated geographically, racially, socially, and economically. **(Lane)**
- Public housing today. Decades of little or inadequate spending on preventative maintenance or capital improvements has resulted in a need for catch-up renovations of \$9,300-\$21,400 per unit and ongoing expenditure of \$1,100 per year. The average local public housing authority (PHA) averages \$700 per unit per year to rehabilitate or modernize. Congressional underfunding of operating subsidies has reduced available funds for preventive maintenance. These numbers are over a decade old, but the orders of magnitude have not changed and the effects have been compounded by the passage of time. **(Lane)**. Public housing (whether in scattered single family homes, multi-family complexes, or apartment buildings for the elderly) is reserved for low-income families and individuals. Local housing authorities establish eligibility based on annual gross income; status as elderly, disabled, or a family; and citizenship. References are also checked to make sure applicants would be good tenants. Baltimore public housing income limits are \$29,900 for a family of three and \$33,200 for a family of four. **(HUD and Baltimore Housing)**

- 1998 public housing reform. The Quality Housing and Work Responsibility Act of 1998 aimed to reduce the concentration of poverty in public housing; protect access to housing assistance for the poorest families (40% of newly-available public housing units, 75% of newly available rental assistance vouchers, and 40% of newly available units in each assisted housing project are required to go to families with less than 30% of area median income); support families making the transition from welfare to work; transform the public housing stock through HOPE VI (see below) and other demolition/mixed finance projects; and management reforms at both the local and federal levels. **(HUD)**
- HOPE VI. The 1992 National Commission on Severely Distressed Public Housing determined that about 6% of the 1.4 million public housing units in the U.S. were in severely distressed condition, and recommended that these properties be eradicated by 2000 and that Congress spend \$760 million per year for 10 years doing so. The program that became known as HOPE VI (Housing Opportunities for People Everywhere) was funded for the first time at \$300 million in 1999 and was intended not only to address the severe physical deterioration of public housing, but also the concentration of poor residents in unhealthy neighborhoods. Through HOPE VI, blighted public housing projects have been demolished or substantially renovated, and mixed income housing built on the sites. Over the years through 2006, almost \$400 million has been awarded for demolition, and \$5.8 billion for revitalization. Beginning in FY2001, HOPE VI funds have also had to be used for Section 8 tenant-based rental subsidies (see below) for those who were dislocated by the redevelopment. **(HUD HOPE VI)**
- Housing assistance in other forms. The federal government no longer builds public housing. Over the past 20 years, subsidies to housing consumers have taken the place of subsidies to housing producers/operators. Consumer, or “demand,” subsidies are felt to be lower cost to the government, give consumers greater freedom, and leverage private production of housing. The largest federal housing assistance program is now the Housing Choice Voucher Program, formerly the tenant-based Section 8 program, which received \$16.9 billion to serve almost two million households in 2005. Housing production continues to be supported at a lower level through the Low-Income Housing Tax Credit (LIHTC) program. States are allocated tax credits based on population. Private developer/owners raise equity from investors, who receive credits against their federal income taxes (primarily corporate), and borrow the remaining funds needed to cover development costs. The owners (through their managers) are responsible for the solvency of the projects and for ensuring that tenant eligibility and rent restrictions are met during the 30-year compliance period. If major physical improvements are needed, additional public subsidies may be provided. **(Deng)**
- Disappearance of previously-subsidized housing. Even though most of the federal subsidies for low income housing production no longer exist, the projects they funded still house 1.4 million households. When the subsidy was structured as a mortgage rate reduction or insurance program, the requirements to owners to house low income families expires with the mortgage. Many of these mortgages are reaching their term now. Other programs operated under 20 to 40 year contracts between the project owner and the federal government; many of these have expired and are being annually renewed if the owners choose to stay in the program and the federal government has funding to renew the contracts. The number is expanding annually as more and more of the projects reach their expiration date. **(NLIHC P-BRA)** Maryland has been giving priority to these projects and using its own programs to ensure that they are preserved for low-income housing. **(NHT Spring 2007)** One half (\$75 million) of the proceeds from Maryland’s tax-exempt bonds for affordable rental housing will be devoted to preservation and renovation of these projects, either under existing ownership or new buyers. *(Baltimore Sun, 11.29.07)* Baltimore City has been acquiring large projects built by private developers using HUD housing programs as they are foreclosed to prevent them from being bought and converted to market-rate housing. *(Affordable Housing Finance, June 2006).*
- Tenants remaining in public housing are among the poorest city residents, many of whom have complicating physical and mental health and employment challenges. They are overwhelmingly non-white, and their homes are located in troubled neighborhoods that are isolated and marginalized economically and politically. Many have children, who experience trouble in school and stress about personal safety. When their housing is demolished, these families need support that goes beyond housing and employment services. **(Lane and Popkin)**

BALTIMORE CITY ISSUES

- Summary. The strong housing market of the last several years has pushed rent levels to record highs and low-income renters are left to compete for the dwindling supply of affordable rental housing available on the private market. Many of the most vulnerable low-income renters spend years waiting in vain for rental housing assistance. Time on waiting lists for public housing and rental housing vouchers is growing. The number of families on the waiting lists is increasing. There are currently 30,000 households on the waiting list for Baltimore’s public housing or rent vouchers. The lowest income families and seniors have limited options. The reasons for this are:
 - Rents are outpacing income for poor Baltimoreans.
 - The dramatic loss of affordable housing continues – in public housing alone, the occupied inventory has dropped by 40% over the last 15 years, from 16,525 units in 1992 to 9,625 in 2007 as deteriorated units are shuttered and eventually demolished.
 - Federal support for affordable housing has been cut, when additional new units or vouchers are necessary just to stay even with need. Operating, capital, and drug elimination funds for Baltimore’s Housing Authority have

been cut by \$79 million over the past six years. The federal government no longer pays for replacement of demolished public housing units. The resolution of an anti-discrimination lawsuit has resulted in the housing of disabled individuals, often not elderly, in units in formerly seniors-only buildings that require \$20 million to retrofit, diverting more public housing and rent voucher funding.

- The expiration of project-based subsidies compounds the crisis. (**HUD 1999** and **Jacobson**)

In Baltimore City, the situation is made worse by the limited supply of modestly-priced rental housing that is physically adequate. There are an estimated 40,000 low-income renters who cannot afford even the modest rents on their dwellings, live in substandard housing, or both, and nearly 20,000 substandard units renting for less than the median rent. More than one-third of the rental housing in Baltimore does not meet basic housing codes of physical adequacy. The make-up of the rental stock is primarily single-family or 2-4 unit rowhouse-style housing rather than large, professionally-managed apartment buildings common in other cities. Rental housing owners are predominantly “Mom and Pop” investors who hold a few properties, have no property management experience, and have not or cannot (because of low rents) set aside funds for capital maintenance and replacement, so their properties continue to deteriorate. (**Newman**) Adding to the supply constraint for renters who have been able to obtain scarce vouchers, the lack of fair housing laws in Baltimore and Maryland means that landlords can refuse to rent to families with rental assistance vouchers. A recent court ruling upheld such laws in Howard and Montgomery Counties.

- De-concentration of the region’s subsidized housing. In January, 2005, the U.S. District Court found (in *Thompson v. HUD*) that federal housing programs must take into account the entire region, rather than segregating assisted housing in only a few areas of Baltimore City. The court will decide soon what steps HUD should take to make the regional housing market work for the 15,000 public housing families on whose behalf the lawsuit was brought by ACLU-MD. Remedies to provide subsidized housing and supports closer to centers of employment are being considered. (**BRHC**)
- For-sale housing statistics. Median housing prices in Baltimore City have increased by 115% between 2000 and 2006. Household income has grown only 20% over the same period. For first-time buyers in February 2007, the housing affordability index in Baltimore City was 68. This is the ratio of median family income to the income required to qualify for an 80% 30-year fixed-rate mortgage to purchase the median-priced home. Repeat buyers’ index was 105. In 2006, a Baltimore City household needed a median income of \$37,161 to meet the mortgage on a median priced home (\$140,000); 38% of households had median incomes below this level. An individual would need to be earning \$17.87/hour to afford the median priced house in 2006. In 2000, 27% of households were spending 30%+ on owner costs while in 2005, this percentage had grown somewhat to 31%. (**BMC**)
- Rental housing statistics. Median gross rent in Baltimore City has increased 34% from 2000 to \$667 in 2005. In 2000, 40% of households were spending 30%+ on rent while in 2005, this percentage had grown significantly to 52%. (**BMC**) In 2006, the estimated median income of renters was \$24,309. Renters earning this much could afford \$608/month if they spent less than 30% of their income on housing. 71% of renters could not afford a two-bedroom apartment at fair market rent, or expressed another way, they would need 155% of the median income to afford the apartment. (**NLIHC**)
- Affordable housing for those in poverty. The Baltimore Metropolitan Council’s overview of housing affordability in the metropolitan area in September, 2007 concluded that the factors that compound the problem of providing affordable housing for those in poverty included: neighborhood conditions, concentrated poverty, segregation (racial, economic), sustainable employment, adequate transportation, quality child care, subsidized units’ location in poor areas. (**BMC**)

ADVOCACY OPTIONS

How to get help

- If interested in getting help purchasing a home in Baltimore City, contact Baltimore Housing, which has links to programs that provide financial assistance (http://www.baltimorehousing.org/index/ps_homeownership.asp)
- For an application for subsidized rental housing, visit the website for the Baltimore Housing Choice Voucher Program http://www.baltimorehousing.org/index/ps_section8.asp. (Note: waiting list is closed except for disabled and other special needs cases)
- For an application for public housing, visit the website for Baltimore Public Housing at http://www.baltimorehousing.org/index/ps_public.asp. (Note: there is a long waiting list for housing units)
- If interested in finding a place to live in an emergency, contact Baltimore Homeless Services, (410) 396-3757 during working hours, or dial First Call for Help 24 hours a day at 2-1-1. The Department of Social Services helps with eviction prevention, and housing for special needs populations, including those living with AIDS.
- Other than private realtors, there is no central source of information for low income residents interested in finding a place to live affordably.

Advocacy

- Ask any candidate running for office who seeks your contribution what he or she has done or plans to do to address affordable housing issues, particularly for low income residents.

- The **National Low Income Housing Coalition (NLIHC)** is a national advocacy organization dedicated to ending America's affordable housing crisis, particularly for the lowest income households. Affordability data, policy research, and advocacy alerts can be found at www.nlihc.org.
- The **National Housing Trust** (www.nhtinc.org/index.asp) is a national nonprofit dedicated to preservation of low income housing. It develops and advocates public policy; provides technical assistance and training to local nonprofit organizations, resident associations and public agencies that are acquiring federally assisted and insured developments or preparing a local preservation strategy; provides below market predevelopment or bridge loans to nonprofit groups who are acquiring affordable, multifamily housing; and, with its partner the Enterprise Foundation, acts as an owner/developer, purchasing and renovating existing, affordable housing.
- **Baltimore Regional Housing Campaign**, housed at the Citizens Planning and Housing Association (CPHA), is a regional coalition aimed at creating solutions to the public housing segregation dilemma in Baltimore City. In addition to CPHA, its members include the Maryland chapter of the American Civil Liberties Union (www.aclu-md.org); the regional faith-community coalition BRIDGE (Baltimore Regional Initiative Developing Genuine Equality); the Greater Baltimore Urban League, a 90+ year old organization devoted to enabling African Americans and other minorities to secure economic self-reliance, parity, power and civil rights (www.bul.org); Faith Fund, Inc., a Baltimore faith-based community development financial institution that offers loans and technical assistance to develop affordable housing, small businesses, and community facilities in Baltimore's underserved communities; Innovative Housing Institute (IHI), a Baltimore-based non-profit corporation providing technical assistance and professional support to local governments, private developers, housing agencies and community organizations (www.inhousing.org); Metropolitan Baltimore Quadel, the local operation of a national expert in subsidized housing programs; and the Poverty & Race Research Action Council, a national civil rights policy organization that brings social scientists together with advocates to undermine poverty and structural racism, and further racial equity (www.prrac.org).

BWGC GRANTEES

In recent years, the Giving Circle has made grants in the area of emergency housing services, and a 2006 grant to Chesapeake Habitat for Humanity for services to new homeowners. In 2002, housing-related grants were made to the Women's Housing Coalition (matched savings accounts for home purchase) and People's Homesteading Group (training in the homesteading process), and Chesapeake Habitat for Humanity (for the third annual "all women's build").

Sources: **Baltimore Housing** www.baltimorehousing.org; **BRHC** Baltimore Regional Housing Campaign, at <http://www.aclu-md.org/aTop%20Issues/Fair%20housing/RemedySummaryBRHC.pdf> ; **BMC** Baltimore Metropolitan Council, "Regional Affordable Housing Market and the Baltimore City Inclusionary Housing Law" Power Point presentation 9.7.07 to Maryland ABDC Baltimore City Committee (soon to be at http://www.bncbaltimore.org/info-url4834/info-url_show.htm?doc_id=410225&cat_id=1289#AboutABCD); **BOC** U.S. Bureau of the Census; **Deng**, Len, "The Cost-Effectiveness of the Low-Income Housing Tax Credit Relative to Vouchers: Evidence from Six Metropolitan Areas," *Housing Policy Debate (HPD)* 16:3/4 2005; **HUD** HUD's Public Housing Program, www.hud.gov/renting/phprog.cfm; **HUD 1999** "Waiting in Vain: An Update on America's Rental Housing Crisis," **HUD HOPE VI** HOPE VI Program Authority and Funding History; **Jacobson**, Joan, "The Dismantling of Baltimore City Public Housing," (2007) available at <http://www.abell.org/pubsitems/Housing.update.1007.pdf>; **Kutty**, Nandinee, "A New Measure of Housing Affordability: Estimates and Analytical Results," *HPD* 16:1 2005; **Lane**, Vincent, "Best Management Practices in U.S. Public Housing," *HPD* 16:4 2005; **Newman**, Sandra J., 2005 Low Income Rental Housing: The Forgotten Story in Baltimore's Housing Boom, available at http://www.urban.org/UploadedPDF/311222_rental_housing.pdf; **NHT Spring 2007** National Housing Trust Preservation Summary www.nhtinc.org; **NLIHC P-BRA** National Low Income Rental Assistance, "Project-Based Rental Assistance" www.nlihc.org; **Popkin**, Susan J. et. al. "The Hope VI Program: What About the Residents?" *HPD* 15:2 (2004); **SONH** State of the Nation's Housing 2007, Joint Center for Housing Studies of Harvard University.

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