

Cost of Housing

DEFINITION

Cost of housing is the percentage of income needed by a very low-income family to cover the average cost of rent.¹ The U.S. Department of Housing and Urban Development (HUD) defines a very low-income family as a family with an income less than 50% of the Area Median Income. A cost burden exists when more than 30% of a family's monthly income is spent on housing.

SIGNIFICANCE

Inadequate, costly, or crowded housing has a negative impact on children's health, safety, and emotional well-being and on a family's ability to meet a child's basic needs. Children who live in families with cost burdens may live in low-quality and overcrowded housing and move frequently, all of which have been linked to lower educational achievement.^{2,3}

The growth in families' housing expenses has outpaced income growth, both nationally and in Rhode Island.^{4,5} In 2013, 24% of Rhode Island's 154,568 working households spent more than half of their income on housing costs, making Rhode Island the state with the highest cost burden in New England.⁶

In 2015, a worker would have to earn \$23.81 an hour and work 40 hours a week year-round to be able to afford the

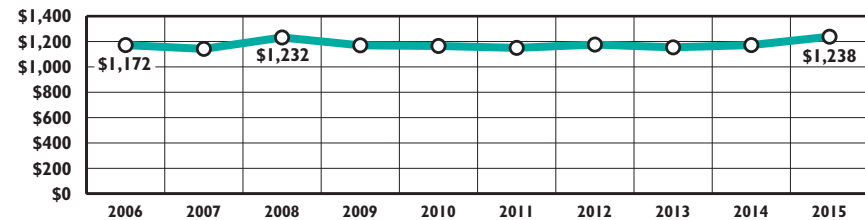
average rent in Rhode Island without a cost burden. This hourly wage is more than two and a half times the 2015 minimum wage of \$9.00 per hour.⁷ In 2015, Rhode Island had the 17th highest hourly wage needed to afford the rent for a two-bedroom home of any state.⁸

In 2015, the Area Median Income for families in Rhode Island was \$75,644.⁹ Families with this income can afford to purchase a median-priced, single-family home in 17 of the 39 communities in the state.¹⁰ In 2014, the median cost of a single-family home in Rhode Island was \$215,000, 10% higher than in 2012, but still 37% lower than the 2005 peak.^{11,12}

Federally-funded Section 8 housing choice rental vouchers can help low-income individuals and families afford the high cost of housing; however there are not enough vouchers to meet the need. Long waiting periods are common and housing authorities often close waiting lists when there are more families on the list than can be helped in the near future.¹³

Rhode Island's FY 2015 budget increased the real estate conveyance tax and allocated new revenue to the Housing Resources Commission, creating a dedicated funding stream for housing subsidies as well as homelessness prevention, housing retention, and lead abatement.¹⁴

Average Rent, Two-Bedroom Apartment, Rhode Island, 2006-2015



Source: Rhode Island Housing, Annual Rent Surveys, 2006-2015. Rents include adjustments for the cost of heat, cooking fuel, electricity, and hot water. Adjustments for utilities for each year vary according to HUD annual utility allowances. The HUD utility allowance decreased in 2013, so average rents which include this allowance also decreased.

◆ Between 2006 and 2015, the average cost of rent in Rhode Island remained fairly stable, increasing from \$1,172 to \$1,238, and continuing a trend of high rents that have not decreased since the beginning of the housing crisis.¹⁵ The percentage of renters in Rhode Island who spent 30% or more of their household income on rent increased from 47% in 2006 to 53% in 2014. The percentage of homeowners who had a cost burden due to their mortgages decreased between 2006 and 2014, from 43% to 37%.^{16,17}

Cost of Heating and Other Utilities

◆ High energy costs make housing even less affordable for low-income families. Research shows that children in households experiencing energy shutoffs also are at risk of hunger and problems with health and development.¹⁸

◆ Rhode Island state law prohibits utility shutoffs for protected customers (such as the unemployed and low-income families with children under age two) and all customers facing financial hardships during the moratorium period from November 1 through April 15.¹⁹

◆ The federally-funded Low Income Home Energy Assistance Program (LIHEAP) provides financial assistance to Rhode Island's low-income households to meet home heating and energy costs.²⁰ In FY 2014, 31,088 low-income Rhode Island families received heating assistance through LIHEAP.²¹

Table 7.

Cost of Housing for Very Low-Income Families, Rhode Island, 2015

CITY/TOWN	FAMILY INCOME		HOMEOWNERSHIP COSTS		RENTAL COSTS		
	2015 POVERTY LEVEL FAMILY OF THREE	2015 VERY LOW- INCOME FAMILY	TYPICAL MONTHLY HOUSING PAYMENT	% INCOME NEEDED FOR HOUSING PAYMENT, VERY LOW-INCOME FAMILY	AVERAGE RENT 2-BEDROOM APARTMENT	% INCOME NEEDED FOR RENT POVERTY LEVEL FAMILY OF THREE	% INCOME NEEDED FOR RENT VERY LOW- INCOME FAMILY
Barrington	\$20,090	\$33,500	\$3,053	109%	\$1,336	80%	48%
Bristol	\$20,090	\$33,500	\$2,326	83%	\$1,325	79%	47%
Burrillville	\$20,090	\$33,500	\$1,635	59%	\$1,183	71%	42%
Central Falls	\$20,090	\$33,500	\$983	35%	\$960	57%	34%
Charlestown	\$20,090	\$33,500	\$2,212	79%	\$1,318	79%	47%
Coventry	\$20,090	\$33,500	\$1,447	52%	\$1,288	77%	46%
Cranston	\$20,090	\$33,500	\$1,530	55%	\$1,193	71%	43%
Cumberland	\$20,090	\$33,500	\$2,009	72%	\$1,220	73%	44%
East Greenwich	\$20,090	\$33,500	\$3,283	118%	\$1,396	83%	50%
East Providence	\$20,090	\$33,500	\$1,417	51%	\$1,252	75%	45%
Exeter	\$20,090	\$33,500	\$2,041	73%	\$1,673	100%	60%
Foster*	\$20,090	\$33,500	\$1,909	68%	\$944	56%	34%
Glocester	\$20,090	\$33,500	\$1,679	60%	\$1,474	88%	53%
Hopkinton	\$20,090	\$37,350	\$1,618	52%	\$1,036	62%	33%
Jamestown	\$20,090	\$33,500	\$2,934	105%	\$1,590	95%	57%
Johnston	\$20,090	\$33,500	\$1,428	51%	\$1,313	78%	47%
Lincoln	\$20,090	\$33,500	\$2,127	76%	\$1,262	75%	45%
Little Compton*	\$20,090	\$33,500	\$3,489	125%	\$944	56%	34%
Middletown	\$20,090	\$40,900	\$2,553	75%	\$1,406	84%	41%
Narragansett	\$20,090	\$33,500	\$2,600	93%	\$1,393	83%	50%
New Shoreham*	\$20,090	\$37,350	\$7,556	243%	\$979	58%	31%
Newport	\$20,090	\$40,900	\$2,974	87%	\$1,468	88%	43%
North Kingstown	\$20,090	\$33,500	\$2,330	83%	\$1,487	89%	53%
North Providence	\$20,090	\$33,500	\$1,507	54%	\$1,211	72%	43%
North Smithfield	\$20,090	\$33,500	\$1,786	64%	\$1,632	97%	58%
Pawtucket	\$20,090	\$33,500	\$1,250	45%	\$1,140	68%	41%
Portsmouth	\$20,090	\$40,900	\$2,396	70%	\$1,414	84%	41%
Providence**	\$20,090	\$33,500	\$1,010	36%	\$1,197	71%	43%
Richmond*	\$20,090	\$33,500	\$1,911	68%	\$944	56%	34%
Scituate	\$20,090	\$33,500	\$1,973	71%	\$1,379	82%	49%
Smithfield	\$20,090	\$33,500	\$1,868	67%	\$1,302	78%	47%
South Kingstown	\$20,090	\$33,500	\$2,271	81%	\$1,434	86%	51%
Tiverton	\$20,090	\$33,500	\$1,819	65%	\$1,467	88%	53%
Warren	\$20,090	\$33,500	\$1,837	66%	\$1,196	71%	43%
Warwick	\$20,090	\$33,500	\$1,392	50%	\$1,346	80%	48%
West Greenwich*	\$20,090	\$33,500	\$2,127	76%	\$944	56%	34%
West Warwick	\$20,090	\$33,500	\$1,365	49%	\$1,151	69%	41%
Westerly	\$20,090	\$37,350	\$2,006	64%	\$1,227	73%	39%
Woonsocket	\$20,090	\$33,500	\$1,277	46%	\$1,050	63%	38%
Four Core Cities	\$20,090	\$33,500	\$1,130	40%	\$1,149	69%	41%
Remainder of State	\$20,090	\$34,464	\$2,240	78%	\$1,296	77%	45%
Rhode Island	\$20,090	\$34,365	\$1,689	59%	\$1,238	74%	43%

Source of Data for Table/Methodology

2015 poverty level for a family of three as reported in: *Federal Register*, 80(14), January 22, 2015, pages 3236-3237.

A very low-income family as defined by the U.S. Department of Housing and Urban Development (HUD) is a three-person family with income 50% of the Area Median Income and is calculated separately for each of the three metropolitan areas comprising Rhode Island. Reported by Rhode Island Housing (2015). *2015 Rhode Island income limits for low- and moderate-income households*. Retrieved February 18, 2016, from www.rhodeislandhousing.org

Data on typical monthly housing payments are from *2015 Housing fact book*. (2015). Providence, RI: HousingWorks RI. They are based on the median selling price of a single-family home using year-end 2014 data and calculated based on a 30-year mortgage at a 4.17% interest rate with a 3.5% down payment. The typical monthly housing payment for the state comes from HousingWorks RI, but core city and remainder of state are calculated using un-weighted community data.

Rhode Island Housing, *Rhode Island Rent Survey*, 2015. Average rents are based on a survey of rents in Rhode Island between January and December, 2015. 2015 rents are adjusted using HUD's utility allowance of \$248 for a two-bedroom apartment (includes heat, cooking fuel, electricity, and hot water) unless the listing stated that utilities were included in the rent, in which case the adjustment was not made.

*Rhode Island Housing 2015 *Rent Survey* data are not available. Average rent used for these communities is the HUD 2015 Fair Market Rent for the metropolitan area as reported by the U.S. Department of Housing and Urban Development.

The average rent calculated for the state as a whole, for the remainder of state, and four core cities do not include communities for which data from the *Rent Survey* were not available.

Statewide average rent is calculated by taking an average of all listings statewide. Rent averages for the four core cities and the remainder of state are calculated using weighted community data from RI Housing.

**Typical monthly housing payment for Providence does not include the East Side and therefore cannot be compared to data reported for Providence in Factbooks prior to 2013.

Core cities are Central Falls, Pawtucket, Providence, and Woonsocket.

References are on page 171.