

# 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.<sup>1</sup> 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.<sup>2,3</sup>

The growth in low- and middle-income families' housing expenses has outpaced income growth, both nationally and in Rhode Island.<sup>4,5</sup> In 2014, 23% of Rhode Island's 156,122 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.<sup>6</sup>

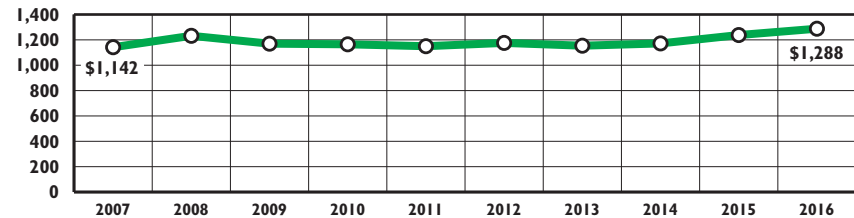
In 2016, a worker would have to earn \$24.77 an hour and work 40 hours a week year-round to be able to afford the average rent in Rhode Island

without a cost burden. This hourly wage is more than two and a half times the 2016 minimum wage of \$9.60 per hour.<sup>7</sup> In 2016, Rhode Island required the 18th highest hourly wage to afford the rent for a two-bedroom home of any state.<sup>8</sup>

In 2016, the Area Median Income for families in Rhode Island was \$73,931.<sup>9</sup> Families with this income can afford to purchase a median-priced, single-family home in 15 of the 39 communities in the state.<sup>10</sup> In 2015, the median cost of a single-family home in Rhode Island was \$225,000, 18% higher than 2012, but still 36% lower than the 2005 peak.<sup>11,12</sup>

Federally-funded Section 8 Housing Choice rental vouchers can help low-income individuals and families afford the cost of housing; however there are not enough vouchers to meet the need. Long waiting periods are common and housing authorities may close waiting lists when there are more families on the list than can be helped in the near future.<sup>13</sup> Rhode Island's FY 2015 budget increased the real estate conveyance tax and created a dedicated funding stream for housing subsidies as well as homelessness prevention, housing retention, and lead abatement.<sup>14</sup> In 2016, Rhode Island voters approved a \$50 million housing bond for affordable housing development and urban revitalization.<sup>15</sup>

Average Rent, Two-Bedroom Apartment, Rhode Island, 2007-2016



Source: Rhode Island Housing, Annual Rent Surveys, 2007-2016. 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 2007 and 2016, the average cost of rent in Rhode Island remained fairly stable, increasing from \$1,142 to \$1,288.<sup>16</sup> The percentage of renters in Rhode Island who spent 30% or more of their household income on rent increased slightly from 47% in 2007 to 48% in 2015. The percentage of homeowners who had a cost burden due to their mortgages decreased between 2007 and 2015, from 42% to 32%.<sup>17,18</sup>

## 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.<sup>19</sup>

◆ 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.<sup>20</sup>

◆ 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.<sup>21</sup> In FY 2014, 31,088 low-income Rhode Island families received heating assistance through LIHEAP.<sup>22</sup> In 2016, Rhode Island created a LIHEAP Enhancement Plan that established per-payment forgiveness of utility debt and allows previously homeless families to obtain a crisis grant to cover the down payment required to participate in this program.<sup>23</sup>

Table 7.

## Cost of Housing for Very Low-Income Families, Rhode Island, 2016

CITY/TOWN	FAMILY INCOME		HOMEOWNERSHIP COSTS		RENTAL COSTS		
	2016 POVERTY LEVEL FAMILY OF THREE	2016 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	\$20,160	\$32,800	\$2,980	109%	\$1,327	79%	49%
Bristol	\$20,160	\$32,800	\$1,995	73%	\$1,327	79%	49%
Burrillville	\$20,160	\$32,800	\$1,527	56%	\$1,258	75%	46%
Central Falls	\$20,160	\$32,800	\$959	35%	\$983	59%	36%
Charlestown	\$20,160	\$32,800	\$2,154	79%	\$1,258	75%	46%
Coventry	\$20,160	\$32,800	\$1,558	57%	\$1,327	79%	49%
Cranston	\$20,160	\$32,800	\$1,486	54%	\$1,246	74%	46%
Cumberland	\$20,160	\$32,800	\$1,923	70%	\$1,292	77%	47%
East Greenwich	\$20,160	\$32,800	\$3,086	113%	\$1,538	92%	56%
East Providence	\$20,160	\$32,800	\$1,417	52%	\$1,225	73%	45%
Exeter*	\$20,160	\$32,800	\$1,942	71%	\$972	58%	36%
Foster*	\$20,160	\$32,800	\$1,835	67%	\$972	58%	36%
Glocester*	\$20,160	\$32,800	\$1,743	64%	\$972	58%	36%
Hopkinton*	\$20,160	\$35,550	\$1,657	56%	\$1,069	64%	36%
Jamestown	\$20,160	\$32,800	\$3,616	132%	\$1,651	98%	60%
Johnston	\$20,160	\$32,800	\$1,562	57%	\$1,255	75%	46%
Lincoln	\$20,160	\$32,800	\$2,037	75%	\$1,282	76%	47%
Little Compton*	\$20,160	\$32,800	\$2,999	110%	\$972	58%	36%
Middletown	\$20,160	\$40,550	\$2,479	73%	\$1,407	84%	42%
Narragansett	\$20,160	\$32,800	\$2,428	89%	\$1,289	77%	47%
New Shoreham*	\$20,160	\$35,550	\$7,016	237%	\$1,069	64%	36%
Newport	\$20,160	\$40,550	\$2,619	78%	\$1,508	90%	45%
North Kingstown	\$20,160	\$32,800	\$2,320	85%	\$1,406	84%	51%
North Providence	\$20,160	\$32,800	\$1,497	55%	\$1,273	76%	47%
North Smithfield	\$20,160	\$32,800	\$1,700	62%	\$1,274	76%	47%
Pawtucket	\$20,160	\$32,800	\$1,211	44%	\$1,174	70%	43%
Portsmouth	\$20,160	\$40,550	\$2,322	69%	\$1,714	102%	51%
Providence	\$20,160	\$32,800	\$988	36%	\$1,271	76%	47%
Richmond*	\$20,160	\$32,800	\$1,775	65%	\$972	58%	36%
Scituate	\$20,160	\$32,800	\$1,913	70%	\$1,506	90%	55%
Smithfield*	\$20,160	\$32,800	\$1,851	68%	\$972	58%	36%
South Kingstown	\$20,160	\$32,800	\$2,115	77%	\$1,344	80%	49%
Tiverton	\$20,160	\$32,800	\$1,645	60%	\$1,432	85%	52%
Warren	\$20,160	\$32,800	\$1,804	66%	\$1,281	76%	47%
Warwick	\$20,160	\$32,800	\$1,339	49%	\$1,486	88%	54%
West Greenwich*	\$20,160	\$32,800	\$2,064	76%	\$972	58%	36%
West Warwick	\$20,160	\$32,800	\$1,278	47%	\$1,289	77%	47%
Westerly	\$20,160	\$35,550	\$1,863	63%	\$1,315	78%	44%
Woonsocket	\$20,160	\$32,800	\$1,233	45%	\$1,106	66%	40%
Four Core Cities	\$20,160	\$32,800	\$1,098	40%	\$1,211	72%	44%
Remainder of State	\$20,160	\$33,700	\$2,158	77%	\$1,338	80%	48%
Rhode Island	\$20,160	\$33,608	\$1,632	58%	\$1,288	77%	46%

### Source of Data for Table/Methodology

2016 poverty level for a family of three as reported in: *Federal Register*, 81(15), January 25, 2016, pages 4036-4037.

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, (2016). *2016 Rhode Island income limits for low- and moderate-income households*. Retrieved January 27, 2017, from www.rhodeislandhousing.org

Data on typical monthly housing payments are from HousingWorks RI's *2016 Housing Fact Book*. They are based on the median selling price of a single-family home using year-end 2015 data and calculated based on a 30-year mortgage at a 3.85% interest rate with a 3.5% down payment. The statewide typical monthly housing payment comes from HousingWorks RI, and core city and remainder of state are calculated by Rhode Island KIDS COUNT using unweighted community data.

Rhode Island Housing, *Rhode Island Rent Survey*, 2016. Average rents are based on a survey of rents in Rhode Island between January and December, 2016. 2016 rents are adjusted using HUD's utility allowance of \$238 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 2016 *Rent Survey* data are not available. Average rent used for these communities is the HUD 2016 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 175.