

The Need for Affordable Rental Housing for Extremely Low-Income Renters in Utah

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December 2008



At the request of Lotus Community Development the Bureau of Economic and Business Research, University of Utah has prepared this analysis of the gap in the demand and supply of rental housing for extremely low-income households.

Extremely low-income (ELI) renters are defined as those renters with household income at 35 percent of the Area Median Income (AMI). The approximate income in 2008 for an ELI renter with only one person in the household is \$16,000, for a four-person household it is \$22,850.

DEMAND FOR ELI RENTAL HOUSING

Currently there are 900,000 households in Utah; 665,000 of these households are homeowners and 235,000 are renters. Of the 235,000 renter households an estimated 54,000, or 23 percent, are ELI renters. ELI renter households account for 6.0 percent of all households in Utah.

Methodology—The demand estimates rely on Census Bureau information from the 2000 Census and HUD’s Consolidated Plan/CHAS 2000 Data. The CHAS (Comprehensive Housing Affordability Strategy) was developed by a special Census tabulation of housing, tenure, age and income using the results of the 2000 Census. The CHAS data for Utah show that 36,900 renter households had incomes at less than 30 percent AMI. The present study uses a 35 percent threshold for ELI, therefore it was necessary to estimate the additional number of ELI renters between 30 percent and 35 percent AMI. The CHAS data show that there were 37,000 renter households in 2000 with incomes between 30 percent AMI and 50 percent AMI. Assuming these households were evenly distributed from 30 percent to 50 percent AMI, there would be an additional 9,250 renter households or a total of 46,150 ELI renter households.

The ELI households in 2000 represented 23 percent of all renter households. It was assumed that the share of ELI renter households in Utah in 2008 was similar. This is probably a conservative assumption given the high number of immigrant households migrating to Utah since 2000. Most of these immigrant households need rental housing and most are low to extremely low-income households. Therefore, the 23 percent share is conservative and yields an estimate of 54,000 ELI renter households in 2008.

Demand Estimate
In 2008 there are
an estimated
54,000 ELI renter
households in
Utah.

The number of ELI renter households is increasing at 2 percent or about 1,000 additional households annually. As much as one-half of the annual increase in demand is derived from the immigrant population. Each year Utah’s foreign-born population grows by about 10,000 people, or 2,500 households. A very high percentage of these households rent. Seventy-five percent are from either Latin America or Africa. These households are particularly likely to rent and be low and extremely low-income households. Of the 1,900 immigrant households migrating into Utah each year from Latin America and Africa, at least 475 would be ELI renter households.

**Each year the
number of ELI
renter households,
or demand,
increases by
1,000.**

SUPPLY OF RENTAL HOUSING TARGETED FOR ELI RENTERS

There are several housing programs that provide assistance for extremely low-income renters. Federal, state and local governments all provide various levels and types of assistance for ELI renters. Most important is HUD Section 8 voucher and certificate programs. In addition, HUD provides rental units for low and very low-income elderly renters through the 202 program. The U.S. Department of Agriculture’s Rural Development RD 515 program also provides housing assistance to ELI renters in rural areas.

Federal housing assistance programs all provide “deep subsidy” for renters. The HUD and RD programs require tenants with certificates and vouchers or those occupying 202 or RD 515 projects to pay 30 percent of their monthly income for rent and utilities. The difference between the 30 percent paid by the tenant and the unit’s rent is covered by the federal housing assistance program. Local housing authorities use the same “deep subsidy” approach for their public housing units. At the state level the Utah Housing Corporation administers the low-income housing tax credit program (LIHTC), which provides tax credit units for low-income and ELI renters.

The estimated inventory of all types of assisted units—vouchers and certificates, project-based units (202, RD515), public housing and LIHTC—is 35,500 (Table 1). However not all these units are available to extremely low-income renters. Public housing authorities are required to place 75 percent of the HUD vouchers and certificates with renters at 30 percent or less AMI. The remaining 25 percent are given to renters

Table 1
ELI Units as Share of Low-
Income Housing Tax Credit Units
in Utah

	Tax Credit Units at 35% AMI or less	Total LIHTC Units	% Share for ELI Renters
1987	0	593	0.00%
1988	16	126	12.70%
1989	0	481	0.00%
1990	10	346	2.89%
1991	0	424	0.00%
1992	119	947	12.57%
1993	60	837	7.17%
1994	88	790	11.14%
1995	65	504	12.90%
1996	73	478	15.27%
1997	52	806	6.45%
1998	98	898	10.91%
1999	86	991	8.68%
2000	16	1,233	1.30%
2001	70	716	9.78%
2002	100	1,670	5.99%
2003	232	1,036	22.39%
2004	196	1,242	15.78%
2005	146	1,215	12.02%
2006	277	1,273	21.76%
2007	258	1,040	24.81%
2008	470	615	76.42%
Total	2,432	18,261	13.32%

Source: Utah Housing Corporation.

with incomes between 30 percent and 50 percent AMI. In addition, most of the 18,250 LIHTC units are targeted for renters above 35 percent AMI. An analysis of the Utah Housing Corporation's LIHTC database shows that 13.3 percent of all LIHTC units are targeted for renters with incomes at or below 35 percent AMI (Table 2).

Table 2
Rental Units Targeted for ELI
Households

	Total Assisted Units	Rental Units Targeted for 35% AMI Households
Vouchers/Certificates	10,250	8,325
HUD 202	3,000	3,000
RD 515	1,500	1,500
Public Housing	2,500	2,500
LIHTC Units	18,261	2,432
Total	35,511	17,757

Source: HUD, Rural Development, Housing Authorities and Utah Housing Corporation.

The number of units and vouchers and certificates that are available to ELI renters is considerably lower than the total 35,500 assisted units. To derive the number of assisted units targeted for ELI households the total rent-assisted units were reduced by the estimated number of vouchers and certificates and LIHTC units targeted for renters with incomes above 35 percent AMI: 1,925 vouchers and certificates and 15,830 LIHTC units. The supply of vouchers and certificates and

LIHTC units available for ELI renter households in Utah in 2008 is estimated at 17,757 (Table 2).

While the demand for ELI rental housing is increasing at about 1,000 units annually, the supply is growing at a much slower pace—300 to 400 units. Each year a few hundred LIHTC units are added to the ELI inventory but these additional units are partially offset by a loss of ELI units due to decreased funding for Section 8 vouchers, owners of ELI units opting out of the assisted rental market and moving to market-rate units, and the elimination of the RD 515 program for ELI families.

The supply of rental housing targeted for ELI renters is estimated at 17,757 units in 2008.

DEMAND AND SUPPLY MISMATCH IN ELI RENTAL HOUSING

Currently there are 54,000 ELI renter households in Utah. The supply of rental units targeted by federal, state and local housing programs for ELI renters is 17,757. Thus the gap between demand and supply is 36,250 ELI units or households. These 36,250 households must rent market-rate units which generally have much higher rental rates and all too often are of substandard and deteriorating quality. Due to the lack of supply of affordable rental units, most ELI renter households are extremely vulnerable to changing rental market conditions, endure high rent burdens, live in poor-quality rental units, and are in a perpetual state of housing crisis regardless of broader economic and housing market conditions.

The annual increase in demand for ELI units exceeds the increase in supply by several hundred units.



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