

Introduction

Out of Reach 2006 compares the Housing Wage to local wage and income levels for every county, metropolitan area and state in the country. The Housing Wage is the full-time¹ hourly wage you would need to earn in order to pay what HUD estimates to be the Fair Market Rent for a home where you live spending no more than 30% of your income on housing costs.²

Despite its outward appearance, *Out of Reach* is not only a research publication. *Out of Reach* is a tool for advocacy, providing a simple and quick rejoinder to the oft-heard rhetorical response to those with housing needs, “Why don’t they just get a job?”

One approach to answering this question is to ask people to reject its very premise and argue that affordable housing is a necessity and a right. Alternatively, one could point out that the majority of families with housing need already have wage income, are elderly or face disabilities.³

¹ Full-time work is defined as 2,080 hours of annual employment (40 hours per week, 52 weeks per year). In fact, this is a conservative estimate of the requisite wage because the necessary income must typically be earned in far fewer hours of annual employment (roughly 34 hours a week or 1,760 hours a year). See The Employment Situation: October 2006 retrieved November 19, 2006 from http://www.bls.gov/schedule/archives/empisit_nr.htm#2006.

² The Housing and Urban-Rural Recovery Act of 1983 made the 30% of income standard applicable to all current rental housing assistance programs. This standard has remained in place since.

³ For example, HUD estimates that 31% of households with the “worst case needs” for affordable housing would “not be expected to work” because of

Out of Reach, however, takes a different approach. Rather than seeking to dismiss the question, *Out of Reach* reframes it as: “What if they have a job?” More specifically, *Out of Reach* asks you to consider the answers to two related questions:

1. **Could someone who gets a full-time job in your community today reasonably expect to find a modest rental unit he or she could afford?**
2. **What would a family in your community have to earn to be reasonably assured of quickly finding an affordable rental unit?**

Not only does *Out of Reach* provide concrete and useful answers to these two questions, it makes its case in personal terms. By presenting the data in hourly wages and monthly housing costs, *Out of Reach* translates the national housing crisis into numbers that people can relate to in their personal lives, also enabling them to understand the housing needs of others as individuals and not as statistics.

Finally, rather than simply focusing on describing the problem, *Out of Reach* provides a single statistic that helps direct our

age and disability while 56% had wages as their primary source of income. See Hardiman, D., Martin, M, Schroder. M.D. Steffan, B., Susin, S., Vandenbroucke, D & Yao, D. (2005). Affordable housing needs: A report to Congress on the significant need for housing. Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

thinking about how to solve America's low income housing crisis. Whether through decreasing housing costs or increasing wages, the Housing Wage provides a policy goal as well as a benchmark for bridging the country's affordable housing gap.

The Numbers in this Report

As in past years, *Out of Reach 2006* relies on data from the Department of Housing and Urban Development (HUD), the Census Bureau, the Bureau of Labor Statistics (BLS), the Department of Labor and the Social Security Administration to make its case. (See Appendix A for a detailed explanation of data sources and methodologies.)

The Fair Market Rent on which the Housing Wage is based is HUD's best estimate of what a household seeking a modest rental unit in a short amount of time can expect to pay for ***rent and utilities*** in the current market. Thus, Fair Market Rents are an estimate of what a family moving today can expect to pay for a modest rental home, *not* what current renters are paying *on average*. Since HUD calculates Fair Market Rents for housing markets in all cities and non-metropolitan counties in the United States, Fair Market Rents are particularly helpful in answering questions about what renters who move or get a job *in a specific location* can expect to pay in monthly rental housing costs. (For more information on the uses and derivation of the Fair Market Rent see Appendix B.)

Along with providing the two-bedroom Fair Market Rents and calculating Housing Wages for every metro area and rural county in the country, this report also makes direct

comparisons between local housing costs and wage levels. For example, this report provides the number of full-time minimum wage jobs necessary to afford the Fair Market Rent. *Out of Reach* also estimates the average hourly wage earned by renters and the number of jobs required at that wage to rent affordably in a given jurisdiction. Focusing on the number of jobs allows for a quick appreciation of the hardship faced by households of different sizes and with different numbers of wage earners. To provide further context for the Housing Wage, this report considers what a family could afford earning the Area Median Income (AMI) or just 30% of AMI (HUD's standard for "Extremely Low Income").

Viewed together, the Housing Wage and the contextual data provide a snapshot of the rental housing affordability gap where readers live.

For further discussion of the variables used in this report see Appendix A. The data contained in this printed version are limited and are supplemented by additional data on-line, such as the Housing Wages for an array of apartment sizes (0-4 bedrooms), as well estimates of the change in rental costs from 2000 to 2007.

The data in this report and the additional materials and data can be found online at www.nlihc.org/oor2006/.

Analysis

The 2006 National Housing Wage for a two-bedroom rental unit is \$16.31.

The federal minimum wage today is \$5.15, as it has been since 1997. Comparing the federal minimum wage to the National Housing Wage is a strong indication that simply working full-time at “just any job” is not sufficient to provide a person access to affordable housing today.

While there are nearly two million minimum wage earners in the US, most Americans earn more than the minimum wage for every hour they work.⁴ The median hourly wage in the US is under \$15.00⁵ and nationwide the average renter earns less than \$13.00 an hour. Since both are less than the National Housing Wage, the numbers in this report indicate that even if someone finds and keeps a job at prevailing wage levels, he or she is

⁴ In 2005, 1.8 million wage earners reported earning the minimum wage or less for every hour they worked. Of these, roughly 1 million were aged between 16 and 24 and 800,000 were over 25 years old. Data are for wage and salary workers, excluding the incorporated self-employed. See Table 44 of the 2005 Current Population Survey from the Bureau of Labor Statistics (2006).

⁵ In May of 2005 (the most recent data available) the BLS Occupational and Employment Statistics Estimates reported the median wage for private employees nationwide was \$14.15 (Retrieved November 19, 2006 from www.bls.gov/oes/). Multiplying this by the 3% increase in wages from the for private sector employees in the past year (Employment Cost Index, September 2006 retrieved November 19, 2006 from www.bls.gov/news.release/eci.nr0.htm) yields an estimated median wage of \$14.57.

likely to face considerable difficulty finding affordable rental housing.

What about Multiple Wage Earner Households?

With two-bedroom apartments being the most common rental units in the US, NLIHC uses the two-bedroom Fair Market Rent in constructing its benchmark statistic of housing affordability, the two-bedroom Housing Wage, which is published in *Out of Reach*. In reading the report, some critics will point out that the Housing Wage appears to reflect the wage *a single individual* needs to earn to afford a two-bedroom unit. Why, they ask, should an individual need a two-bedroom unit? Or conversely, what about the Americans, including many minimum wage earners, who live in households with more than one wage earner?

While neither of these criticisms really addresses the fundamental concern that working full-time does not assure someone of finding affordable housing for his or her family, it is perhaps important to note two things to further respond to this criticism.

First, though the data in the published report have historically focused on the two-bedroom housing wage, today ***there is not a county in the country where a full-time minimum wage worker can afford even a one-bedroom apartment at the FMR.***⁶

⁶ See on-line data at www.nlihc.org/oor2006/ for data related to the one bedroom FMR.

Second, on average, nationwide, even a household with three workers earning the federal minimum wage and working 40 hours a week, 52 weeks a year could not afford a two-bedroom unit at \$848, the national average Fair Market Rent.

Converted to an annual income, the Housing Wage indicates that on a national basis a family would have to earn \$33,925 a year to be reasonably assured of finding an affordable two-bedroom rental unit in today's housing market. Yet, according to the most recent data available,⁷ roughly 42 million households nationwide, including 22 million with at least two people living in them, earned less than \$34,000 last year. Roughly 11 million households earned less than \$10,712, the equivalent of working 40 hours a week, 52 weeks a year at the minimum wage.⁸

Who Is Affected Nationally?

Out of Reach is designed to illuminate the fundamental gap between what people can expect to earn and what they can expect to pay for housing where they live. To get a sense of who is affected by the affordability gap it is important to note that today roughly a third (37 million) of American households rent. Further, recent data indicate that renters are growing both

in number and as a proportion of American households.⁹ Of the roughly 22 million renter households earning less than the Housing Wage annually, nearly half (47%) moved in the two years prior to 2005. In looking for a new home, these households would have been unable to affordably rent a two-bedroom apartment at the national average Fair Market Rent. A 2006 NLIHC study found that there are roughly nine million renter households nationwide who pay *half* or more of their income for housing and 99% of them are considered low income where they live.¹⁰ Thus, the affordability gap is not hypothetical; it affects millions of real American renter families, many of whom will have to find a new rental home this year.

The Local Picture

At today's wages millions of American households feel the effects of the affordable housing gap first hand. While the national data are illustrative of what Americans face, it is important to consider the substantial local variation in housing costs and wages.

In 2006, the Stamford-Norwalk, CT area had the highest Housing Wage (\$30.62), while rural areas of Louisiana had a

⁷ NLIHC tabulations of 2005 ACS public use microdata.

⁸ Again these individuals may not actually work for the minimum wage but their annual household is equivalent to what one wage earner earning the federal minimum wage would earn in a year working 40 hours a week, 52 weeks a year. See also ftnt 4.

⁹ NLIHC (2006) Initial Assessment of 2005 American Community Survey Indicates Growing Housing Cost Burdens for Lowest Income Households. Research Note #06-04. Retrieved October 31, 2006 from www.nlihc.org/research/06-04.pdf

¹⁰ HUD considers households earning 80% of AMI "Low Income." The majority of households with severe housing cost burdens earn 30% of AMI or less. Data from NLIHC (2006).

Housing Wage of \$8.42, the lowest for an area outside of Puerto Rico. Thus despite Connecticut's higher minimum wage of \$7.40, compared to \$5.15 in rural areas of Louisiana, it is considerably harder for a householder earning the Connecticut minimum wage to make ends meet in the Stamford-Norwalk area.

When comparing Housing Wages to the minimum wage, the relatively large burden faced by the poorest renters in the most expensive regions becomes clear. Yet, this is only part of the story. For example, in San Francisco a household would have to work more than four full-time jobs at the minimum wage of \$6.75 to make a two-bedroom unit affordable. By comparison in Hot Springs, Arkansas a household would need to work 1.8 minimum wage jobs. But in San Francisco, where the average hourly renter wage is \$24.54, it takes 1.2 full-time jobs to afford a two-bedroom apartment. In Hot Springs, it takes 1.4 jobs to afford the two-bedroom apartment due to a much lower average renter wage of \$8.01. Thus, while San Francisco with its high real estate costs is indeed more expensive for the typical renter, Hot Springs is just as unaffordable.

Along with providing data for city and county housing markets, *Out of Reach* also provides a summary line for combined nonmetro areas in each state, providing readers with a quick way of assessing how a state's rural areas are faring relative to metro areas and the state as a whole. What the data show is that in general, in no state can a full-time minimum wage job assure a household access to affordable rental housing even in nonmetro areas, which are often assumed to be affordable. A dearth of quality rental housing and limits on rental

development in rural areas can often put rental housing out of reach of those who need it.

While this report focuses on those who are working, one group particularly vulnerable to the high cost of housing are those receiving Supplemental Security Income (SSI). These are people of limited means who are over 65, disabled or blind. In 2006, in most states these individuals received \$603 per month. In seven states, all individual SSI recipients receive additional assistance administered by the Social Security Administration. As a result, a recipient relying entirely on SSI would be able to afford to pay between \$181 and \$251 (in California) on rent and utilities, well below the cost of a studio (efficiency) apartment in the lowest cost county (Avoyelles Parish, LA at \$283). (Data and local comparisons to SSI payments are available online.)

Conclusion

Could someone who gets a full-time job in your community today reasonably expect to find a modest rental unit he or she could afford?

The data in this report should make clear that in your community or anywhere in the US today, someone who simply gets a full-time job at the minimum wage cannot reasonably expect to find a modest rental unit he or she can afford.

While it is in the highest cost metropolitan areas that the lowest income workers face the most significant gap between what they earn and what they can afford, the data in this report

should also make clear that the problem is nationwide. Whether they are able to work or not, low income households face significant barriers to finding modest affordable rental housing in every county in America.

Of course, many American renters do find low cost rental housing. Along with subsidized rental units and tenant-based rental subsidies, there also remains a stock of decent, market-rate rental units that low income people can afford. But, in the private market there is no guarantee that low cost units are serving low income households. Lower rents often are associated only with deteriorating, unsafe units lacking complete facilities. Moreover, with each passing year the numbers of both private and subsidized low cost units shrinks from neglect, gentrification and conversion to condominiums.¹¹

What would a family in your community have to earn to be reasonably assured of quickly finding an affordable rental unit?

If housing costs in your community remain stable, your local Housing Wage is a good benchmark for what an individual or a household would have to earn to be reasonably assured of finding a modest, affordable rental unit where you live. If the costs of rental housing can be brought down, however, so can the Housing Wage. Whether you work to raise the incomes of low income people or to lower the cost of housing, you are working to bring America's affordable housing crisis to an end.

We hope you will use *Out of Reach* as a resource toward this goal.

¹¹ Joint Center for Housing Studies at Harvard University. (2006) America's Rental Housing: Homes for a Diverse Nation. Cambridge, MA:Author.