

If asked what they want in life, most Rhode Islanders would probably say a decent income, the ability to send their children to good schools, and a good home in a safe place. Unfortunately, for many Rhode Islanders who want to rent, a good home is out of reach.

Although the recession may have temporarily slowed the rising cost of housing across the country, on a local level housing affordability has not gotten better. Moreover, Rhode Island has some of the highest rental costs in the nation and some of the greatest gaps between what housing costs and what local wages can cover.

*Out of Reach 2012*, a report released by the National Low

Income Housing Coalition, a Washington-based housing advocacy group, has the details.<sup>1</sup> Hawaii has the highest rental costs in the country and Puerto Rico the lowest. Rhode Island has the 17<sup>th</sup>-highest rental cost, and four other New England states—Massachusetts, Connecticut, Vermont, and New Hampshire—are among the 15 least affordable.

### Parsing the Data

The national ranking is just one measure of affordability. Perhaps even more important is the increasing gap between the cost of housing and the income to pay for it. The gap is the difference between the Housing Wage—the hourly wage one needs in order to afford a two-bedroom apartment at the fair market rent—and the average wage for a renter. Rhode Island may rank 17<sup>th</sup> for highest cost of rental housing, but it ranks 8<sup>th</sup> for the highest gap between income and housing cost.

This year's report demonstrates that the recession has worsened an already severe housing crisis. The persistence of high rates of unemployment and underemployment, translating into diminished household income, makes it more difficult than ever for families of modest means to secure decent living arrangements. Low-income renters face an array of housing challenges at a time when prevailing incomes and wages are simply not enough to allow people to pay for a decent home in their community.

In Rhode Island, the fair market rent for a two-bedroom apartment is \$924. In order to afford rent and utilities without paying more than 30 percent of income on housing, a household must earn \$3,081 monthly, or \$36,974 annually. Assuming a 40-hour work week, 52 weeks per year, that level of income translates into a Housing Wage of \$17.78 per hour.

Unfortunately, in Rhode Island, a minimum-wage worker earns an hourly wage of \$7.40. This means that, in order to afford the fair market rent for a two-bedroom apartment, a minimum-wage earner must work 96 hours per week, 52 weeks per year. A household must include 2.4 minimum wage earners working 40 hours per week year-round in order to make the two-bedroom apartment affordable.

Currently, Rhode Island's estimated average wage for a renter is \$11.64. In order to afford the fair market rent for a two-bedroom apartment at that wage, a renter must work 61 hours per week, 52 weeks per year. For 40 hours per week year-round, a household must include

# RENTAL HOUSING IN RHODE ISLAND

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1.5 workers earning the average renter wage in order to make the two-bedroom fair market rent affordable.

The gap between the Housing Wage of \$17.78 and average wage for a renter earning an hourly wage of \$11.64 is \$6.14. This works out to a gap of \$319 per month between the cost of housing and 30 percent of the average renter income. The gap for the minimum-wage worker in Rhode Island is even bigger.

## Addressing the Gaps

Local advocates have seen firsthand how the unemployment and foreclosure crises have increased the barriers low-income renters encounter in their search for safe, good-quality, affordable housing. Rhode Island's foreclosure rate continues to be one of the worst in the country and is the highest in New England. Moreover, as people lose their homes, many become renters, and that has put tremendous pressure on the market.

Not only does foreclosure often push a former homeowner into the rental market, but in a state where much of the affordable housing stock is the "triple-decker," a foreclosure on the owner may mean three families are put out on the street.<sup>2</sup> At the same time, those rental units are removed from the stock available to people seeking apartments. That presents a challenge, especially when the dispossessed are from low-income households or are suffering from unemployment or other serious shocks to their income. They seldom have emergency savings or the resilience to make deposits for rent and utilities on short notice, let alone to pay higher rent.

The unemployment crisis continues to affect all Rhode Islanders, but the cost of housing and the wage gap are of even greater concern for the affordable-housing community. Rhode Island has one of the highest unemployment rates in the nation, hovering above 11 percent as of this writing, even though the national climate is improving. Meanwhile, the number of extremely low-income households is growing. In fact, one out of four Rhode Island renter households is in the lowest-income category.<sup>3</sup>

With a decrease in the number of available units and an increase in the number of low-income households, the competition for a shrinking pool of rental units is intense. But despite the growing need, housing-assistance programs that could be used to bridge the housing-cost gap are at risk under proposed budget cuts at the federal level (with no new dollars or housing programs anticipated) and also at the level of the state and cities and towns. The nation is in the midst of a deepening crisis in which full-time wage earners cannot afford fair market rents in almost any state.

Affordable-housing and homeless-prevention advocates in Rhode Island are working to garner support for strategies that will ensure a long-term supply of affordable housing. Rhode Island is one of a very few states that lack a dedicated affordable-housing funding stream. That is why groups such as the Housing Network of Rhode Island and the Homeownership Connection are actively promoting ways to generate revenue for the state's Housing Trust Fund, which although enabled by legislation, remains unfunded.

As federal housing resources shrink, state investments in af-

fordable-housing programs, such as the Rhode Island Neighborhood Opportunities Program and Building Homes RI (a voter-backed bond of \$50 million passed in 2006), are becoming even more important. Those two programs together produced 2,462 units of affordable homeownership and rental housing between 2006 and 2011.

## Why Care?

Housing is a cornerstone of the state's economic growth, and investing in affordable-housing production will help get Rhode Island back on the path to economic recovery. The good news for housing advocates is that Governor Lincoln Chafee included a \$25 million housing bond in his 2012-2013 budget, and the Rhode Island General Assembly included the bond in the budget passed in early June. By the time this article appears, Rhode Islanders will know whether a voter referendum on the bond passed.<sup>4</sup>

If approved, the bond would be a good first step for the production of more affordable housing for working Rhode Island residents and a more constructive way to make the state attractive to companies than the failed economic development strategies that made headlines in the state this year. The ultimate goal of a permanent funding stream for affordable housing in Rhode Island remains to be tackled.

Clearly, there is a glaring mismatch between the cost of housing, the wages people earn day to day, and the availability of housing assistance in Rhode Island. An affordable home, providing stability and shelter, is a basic human need, and workforce housing is essential for economic growth. Expanding the availability of affordable housing to address the unmet needs should be a top public policy priority. Until it is, a good home will continue to be out of reach for many families in our communities.

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## Endnotes

<sup>1</sup> See [www.nlihc.org/oot/2012](http://www.nlihc.org/oot/2012).

<sup>2</sup> A triple-decker is a three-level multifamily structure occupied by the homeowner and offering additional rental units.

<sup>3</sup> According to the National Low Income Housing Coalition, "extremely low income" is 30 percent of area median income.

<sup>4</sup> The bond passed. See <http://www.wpri.com/dpp/elections/rhode-island-voters-approve-all-ballot-questions>.