

Affordable Housing

February 2023



Northside Neighborhood House



Introduction

Housing is one of the most basic and important needs, yet there is a shortage of affordable housing across the country. The term “affordable housing” describes both rental- and owner-occupied housing that is affordable depending on one’s income. Currently there is a high demand but low supply of housing. This has dramatically increased the prices of homes and rent, leaving millions of U.S. households paying more than they can afford. Households are considered cost burdened if they spend more than 30% of their income on housing and severely cost burdened if they spend more than 50%. In Hamilton County, 27% of households are cost burdened; renters are particularly hard-pressed with 45% being either cost burdened or severely cost burdened.¹

The current housing issue is twofold: housing costs are at record highs and inventory is low. A recent study found that the Chattanooga area is the 28th most overvalued market in the nation.² A drop in available units, caused by a surplus of new residents moving to the area, drives up the cost. This housing affordability crisis is expected to be long lasting and to disproportionately affect lower-income households. This report highlights the barriers our low-income neighbors currently face in finding affordable housing as well as the broader societal consequences of the housing crisis.

Housing Cost Burden

In 2022, the average rent reported by Northside Neighborhood House (NNH) clients was \$915, while the average monthly income was only \$1,621. This means that NNH clients are spending, on average, 56% of their monthly income on rent. Those that own their home with a mortgage are spending 49% of their monthly income on their mortgage. In five of the seven zip codes served by NNH, more than 30% of renters are either cost burdened or severely cost burdened. Some communities see rates higher than 40% (Figure 1). These numbers are comparable across all zip codes in Hamilton County.

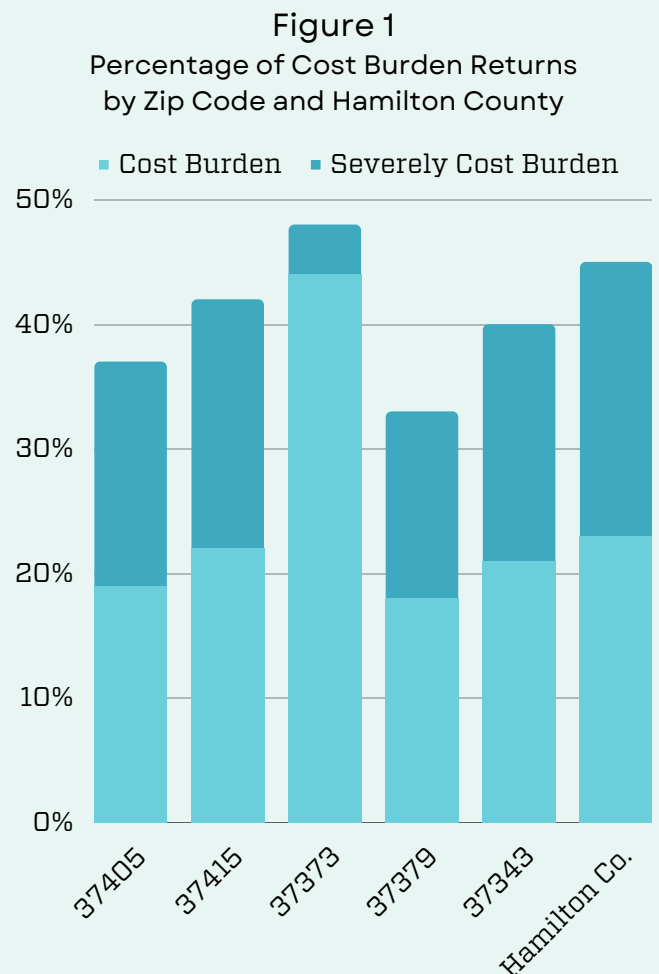
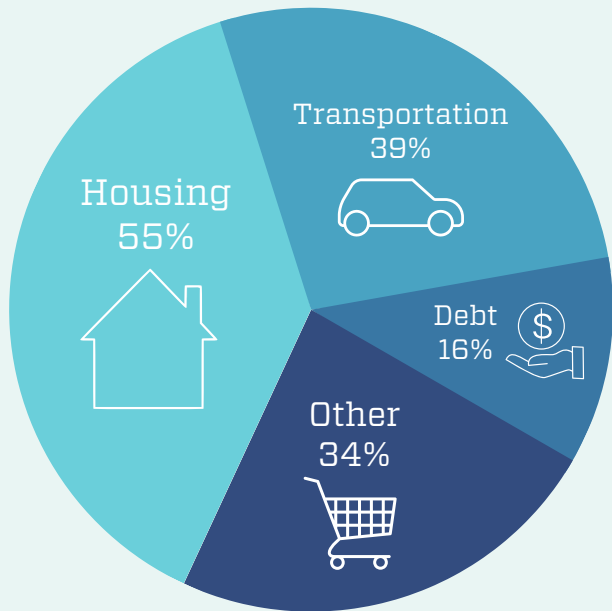


Figure 2
Percentage of Monthly Income Spent on Expenses



Many clients that come to NNH are stretching each dollar as far as they can. Figure 2 shows a pie chart of the average percentage of monthly income spent on housing, transportation, debt, and other expenses for NNH clients. These percentages add up to more than 100% because the average client's expenses exceed their actual income each month, leaving them with a deficit. Even if they can afford housing costs and some necessities without falling into a deficit, these families must be more cautious with their spending. Research finds that severely cost burdened renters spent 38% less on food and 70% less on healthcare than their peers without cost burdens.³ After paying for their housing, cost burdened families are left with very little money for other expenses. Families are then forced to make difficult choices on how to spend the remaining money on medical, food, and childcare needs.

In Chattanooga, the average two-bedroom rent has increased by more than 43% in the last 5 years.⁴ NNH clients have seen a 20% increase in average rent since 2019, from \$673 per month to \$915 per month. These increases, along with inflation, have caused many households to fall behind in rent, placing them at risk of eviction. Incomes have not kept up with these rising costs. In Hamilton County, the 2023 fair market rent for a two-bedroom apartment is \$1,067 per month, meaning a household would need a minimum income of \$42,680 to afford rent.⁵ Figure 3 shows how many hours a week the average NNH client working full-time needs to work in order to afford rent at this price compared to the average worker making minimum wage. This illustrates just how unattainable the average rental unit is for Asset Limited, Income Constrained, Employed (ALICE) households.

Figure 3
Hours Worked Needed to Afford Two-bedroom Apartment in Hamilton County

A worker can afford an **average 2 bedroom apartment*** earning...



The **average NNH Client working full-time** earns just...



And a minimum wage worker earns just...



*does not account for overtime pay

Eleven of the 20 largest occupations in the country – including home health aide, janitor, and food server – provide a median wage lower than the wage needed by a full-time worker to afford modest rental housing.⁶ With wages insufficient to pay for reasonable rental housing, these households are often in precarious financial situations. They are forced into cost-burdensome housing and left without a cushion to fall back on when personal emergencies or major economic downturns arise.

Affordable Housing Shortage

According to the National Low Income Housing Coalition, no state has an adequate supply of affordable and available housing for low-income families.⁶ Tennessee has only 46 affordable homes available for every 100 low-income households.⁷ While new housing is being built at a higher rate than previous years, these are typically far out of the price range of low-income families. Even with the current high rates of development, we are still facing a supply and demand issue.

Hamilton County has a rental vacancy rate of 4.3% and a homeowner vacancy rate of only 0.7%.⁸ This shortage of available units forces low-income households to compete with higher-income households for the limited number of affordable homes that are available.⁶ As household income increases, so does the ability to pay a higher rent. And yet, a shortage of available housing across all price points means low-income housing is taken by mid-to-high-income households.

Low-income households may qualify for income based housing that allows for tenants to pay no more than 30 percent of their income towards rent and utilities.⁵ While an asset to communities, this option is limited. Most affordable housing programs determine eligibility based on the Department of Housing and Development’s (HUD) income qualifications. The qualifications are broken down by the number in the household and their income as a percent of Area Median Income (AMI). Table 1 shows the HUD income qualifications for Hamilton County.

Table 1
Income Qualifications for HUD Rental Assistance in Hamilton County

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Extremely Low Income Earning up to 30% AMI	\$15,800	\$18,310	\$23,030	\$27,750	\$32,470	\$37,190	\$41,910	\$46,630
Very Low Income Earning up to 50% AMI	\$26,350	\$30,100	\$33,850	\$37,600	\$40,650	\$43,650	\$46,650	\$49,650
Low Income Earning up to 80% AMI	\$42,150	\$48,150	\$54,150	\$60,150	\$65,000	\$69,800	\$74,600	\$79,400

Estimates suggest that 16,964 households in Hamilton County make less than \$15,000 a year, the extremely-low income qualification for a one person household. Hamilton County has only 4,325 income based housing units.⁵ There are not enough of these units to even house households that fit the minimum qualification, better yet the thousands of more households meeting the extremely or very low income qualifications. This shortage has created very long waiting lists for these units.

Another option for rental assistance is the Section 8 Housing Choice Voucher, which allows participants to live in rental properties that are privately owned.⁹ This voucher allows the participant to pay 30 percent of their household's income on the rent, with the remainder being covered by the Chattanooga Housing Authority. While another great option, it also has a waiting list that is long and often closed.

The Chattanooga Housing Authority opened the waiting list for applications for one day on February 9, 2023. From those applications, 1,000 will be chosen through a lottery to be placed on the waiting list and will only receive a voucher as they become available. While waiting for one of these options to become available, many low-income households are forced to move into homes they cannot afford.

The Consequences

Families and individuals experience housing instability due to high costs and lack of access to affordable housing. Housing instability is the extent to which an individual's access to housing is influenced by factors outside of their control, such as being cost burdened, an overcrowded residence, or frequent forced moves.¹⁰ These challenges influence the health, education, and economic security of all household members.

The Effect on Our Neighbors

Through our Stability work at the NNH we hear stories every day of how the lack of affordable housing affects our neighbors' lives. Cindy*, a 70-year-old blind client, came to us in 2022 because she needed help paying her utilities. Cindy previously lived in a rental home that was within her budget, but when it was sold the new landlord significantly increased the rent. This forced her to move out and seek new housing. While searching for a new place, Cindy stayed in a hotel. Eventually she found new housing; the rent is still too high for her income but she had no other options. Cindy is on a fixed income of only \$1,220 a month. Her rent is currently \$1,200, leaving her with virtually no funds to cover the rest of her living expenses. Cindy reported that she has not used the heat much this winter to avoid high electric bills, which causes her to be cold most of the time. Cindy's disability makes it difficult for her to get around, adding to the economic barriers to finding affordable housing. She is on waiting lists for more affordable housing, but isn't certain she is any closer to getting in. Without a more affordable place to live, Cindy will continue to have to make difficult decisions to forgo everyday necessities in order to pay their rent.

*Name changed to protect client's privacy.

Adults and children in unstable housing are at higher risk of food insecurity and experience poorer health. Studies have also found that children with frequent moves are more at risk for lifetime depression and can lead to poorer academic achievement!^{12,13} The adults in the home are often under constant stress about making their rent or mortgage. Those living with this stress are three times more likely to report mental distress and 50% more likely to have trouble sleeping, both of which can lead to long-term physical and mental health consequences.¹⁴

The lack of affordable housing also affects our elderly population. Many older adults live on fixed incomes and even the smallest increase in housing expenses can throw off their budgets. Housing is typically the largest expense for those 65 or older and they also spend almost three times more of their budget on healthcare compared to younger households.¹⁵ Housing instability can have major health consequences for the aging population; including more visits to the emergency room and a higher likelihood of suffering from a fall, memory loss, or even premature death.¹⁶ As people age, they hope to have the ability to remain in one place, but increasing housing costs are making this nearly impossible for some.

Call to Action

Affordable housing is becoming harder to find for those that need it most. The current housing crisis is affecting communities across the nation, and the communities the NNH serves are not an exception. As housing costs increase, many of our neighbors are pushed into cost-burdened housing. They find themselves short of resources for necessities and are often forced to spend more than they have each month. Housing instability leads to poorer health outcomes, delayed educational development, and increased financial stress for our neighbors.

While there is no quick fix to the current crisis, there are steps we can take as a community to help support those most impacted. We can work with landlords to educate them on what being housing cost burdened means and how rent increases affect both their tenants and the wider economy. We can engage local politicians to elevate the need for more subsidized housing in the area and speak up about policies that may have an impact on ALICE households. Until there are more structural options available, cost burdened households will continue to need assistance. Community members can help by providing support for organizations like the NNH that help families remain housed or pay for necessities. As a community we have a mutual responsibility to ensure that our lowest income neighbors have stable, accessible, and affordable homes.

About the NNH

Since 1924, the Northside Neighborhood House has focused on empowering residents north of the Tennessee River to create thriving communities across northern Hamilton County. From ensuring individuals are housed with working utilities to supporting students in achieving academic success, the NNH focuses on creating relationships and connecting individuals to supports that aid them in creating stability for themselves and their families. Our ability to address the varying needs of our neighbors positions us to provide a holistic support approach for individuals at all ages and stages of life. Learn more by visiting our website, nnhouse.org.

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