

## The Urban Institute Report, Cost Burden, and Cash for Rent

### Summary

Extreme caution should be used when considering the predictive value of cost burden figures taken from the American Community Survey. Rather than converting those numbers to a demand for subsidized units, it would be worth considering adding more data streams to any needs assessment along with solving cost burden not with capital construction, but fast and efficient cash assistance.

### Background

In May of 2020 the Urban Institute [produced a report](#) on housing needs in the Albuquerque. The most often cited line from the report is, “Our analysis indicates that the city also has a gap of about 15,500 units of affordable housing for renter households with extremely low incomes.” Many have leapt to the conclusion that Albuquerque needs to find or build 15,500 units of housing.

**It’s worth looking at that number more closely and consider what creating that many units would cost compared to simply making cash payments to households in the amount they pay over 30 percent of gross monthly income. To make that comparison, we need to guess at how much cost burden is out there compared to the cost of building a unit.**

According to their report, “for the quantitative analysis, we used American Community Survey (ACS) data, including specially tabulated Comprehensive Housing Affordability Strategy (CHAS) data for 2006–10 and 2012–16 (the most recent available).”

The income figures being cited are from self-reported survey data of households conducted more than four years before the report was written. There are a number of problems with using this data to calculate cost burden including the age of the numbers and their accuracy. Things change and survey data is by definition a statistically informed guess, not an inventory of housing units. Instead the ACS is a snapshot of self-reported income and rents in the past. **The truth is we can never truly know what every household in a city is paying as a percentage of their income.** Cost burden figures are always a guess, and one based on old data.

### Better Data is Needed, But What if We Use Cost Burden Data

But let’s assume 15,500 households in need for this exercise.

The report defines extremely low income as “households whose income is at or below 30 percent of the area median income.” Today, in Albuquerque that would mean an annual income of \$15,900 for an individual to \$22,650 for a family of four able to pay from about \$400 to \$566 per month for housing respectively (that’s 30 percent of gross pre-tax income). The 15,500 households would have a mix of annual incomes from \$1 to as much as \$29,900 for an 8-person household. There are really smart ways to distribute the 15,500 households by income, but let’s just distribute the households like this.

Households	Annual Income	Monthly Income	Rent	Cost Burden	Percent
3750	\$16,500	\$1,375	\$749	\$336.50	54%
8000	\$20,500	\$1,708	\$875	\$362.50	51%
3750	\$25,500	\$2,125	\$1,000	\$362.50	47%

The apartment website Zumper shows a one-bedroom renting for an average cost of \$995. It's important to note that many people at these lower levels of income are subsidized. The Albuquerque Housing Authority distributes 4,000 vouchers annually, and has 950 units of housing. And there are other non-profit housing providers. It's likely that these households are typically paying below average rents. **It is important to note, that cost burden assumes a household is living somewhere just paying too much.**

How much would it cost and how long would it take to build 15,500 new units to put each of these households in a unit subsidized so that there is no cost burden. Keep in mind all subsidized housing charges rent, so the household will still be paying rent. Let's take a look at one project recently funded through the New Mexico Mortgage Finance Authority, the MFA, [called the Hiland Plaza in Albuquerque's Nob Hill](#). The project will cost \$19.2 million for 92 units, a total development cost of \$208,695 per unit.

Anecdotally, MFA has said that the average cost of Low Income Housing Tax Credit (LIHTC) projects are ringing in at about \$250,000 per unit. Let's do some more seventh grade math; at the cost of the Hiland Plaza project, 15,500 units would cost \$3,234,772,500. That's \$3.2 billion. How long would it take? The executive director of the non-profit housing agency said, "estimates it will take 12-15 months of construction." **The story I linked to was dated July 23, 2021 and the project still isn't open but slated for completion this fall, more than two years later.** The Hiland Plaza project will also cost about \$500,000 a year to operate and maintain.

Let's go back to the cost burden guess. Taken together, the cost burden guess above adds up to \$66,255,000.00 in cost burden per year. That's the total amount of rent being paid by these households in Albuquerque above the normative standard for rent if we go with the Urban Institute's cost burden figures. It seems like a lot of money per year. But in May, the MFA awarded [\\$53 million in tax credits](#) to a handful of projects that will build only hundreds of units years from now.

Households	Monthly Cost Burden	Annual Cost Burden	MFA Annual Allocation
3750	\$336.50	\$15,142,500.00	
8000	\$362.50	\$34,800,000.00	
3750	\$362.50	\$16,312,500.00	
	<b>Total</b>	<b>\$66,255,000.00</b>	<b>\$53,000,000</b>

### Getting Real About Cash for Rent

It is highly unlikely that the state or Albuquerque could turn the firehose of cash pouring out for capital projects to address housing into payments directly to people struggling to pay rent. And we don't need to do that. First, it's highly unlikely that there are exactly 15,500 cost burdened households in Albuquerque. It's not a helpful metric and might tell us less about the cost of housing than it does about incomes or people's choices to pay more for their housing than the prescribed 30 percent.

What is real today is that many households *are* coming up short by a couple hundred dollars every month. Each month that goes by is another month closer to the brink, another month without saving for a rainy day, another month servicing medical debt and credit cards, and another month stuck in place barely being able to make ends meet and one disaster from homelessness.

Creating and evaluating a demonstration pilot program of fast cash for people under 60 percent of Area Median Income with no strings attached could be a game changer. When combined with policies that allow and incentivize market rate housing, supply could keep up with demand, and many households would see more competitive rents allowing them to move off of a cash for rent program. Combining zoning changes like those in Housing Forward with a targeting cash for rent strategy will eventually create more units, but it would also ease cost burden for many families today.