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DECENCY VS. AFFORDABILITY (Part II)

A “Catch-22” in Housing for Douglas County GA Clients?

By R.K. Piper

This is Part II of an article based on a CAUR study of housing conditions and availability concerning recipients of Douglas County General Assistance payments. Part I (May, 1984) investigated housing conditions and Part II examines availability and costs. The author would like to acknowledge the contributions of Dr. Donald A. Nielson, professor of real estate and land use economics at the University of Nebraska at Omaha; Dr. Pelly Vaz for her efforts with regard to the study of Omaha World-Herald apartment listings during her employment at CAUR; and Carole Johnson, former graduate student assistant at CAUR.

Background

Nebraska Law, specifically Section 68-133, requires county boards to provide a schedule of goods and services necessary for the maintenance of minimum decency and health for families of various sizes, including single persons.

A CAUR study of housing conditions conducted in March, 1984 for the Legal Aid Society raised several questions with regard to the availability of decent housing that was affordable for low-income persons.

In June, 1984 the Douglas County Board adopted new general assistance regulations that increased the shelter allowance for a household of one from $210 to $225 but retained the previous schedule of payments for larger households. This schedule, which shows the maximum payments available by household size, is as follows:

<table>
<thead>
<tr>
<th>Household Size</th>
<th>Maximum Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$225.00</td>
</tr>
<tr>
<td>2</td>
<td>250.00</td>
</tr>
<tr>
<td>3</td>
<td>290.00</td>
</tr>
<tr>
<td>4 or more</td>
<td>330.00</td>
</tr>
</tbody>
</table>

Citing the difficulties their general assistance (GA) clients have had locating affordable housing and the results of the CAUR study that estimated that as many as one-third were living in substandard housing, Legal Aid Society attorneys were concerned that this schedule provided too little money for GA recipients to obtain decent housing.

The new general assistance regulations also retained a provision that Douglas County could deny GA to a person who lived in substandard housing. Legal Aid attorneys were concerned that strict enforcement of this regulation, combined with inadequate shelter allowances, had created a “Catch-22” for recipients: voucher payments too low to buy decent housing and denial of any shelter payments if the housing found by the applicant did not meet minimum decency standards.

For these reasons, Legal Aid Society lawyers requested that the Center for Applied Urban Research provide an analysis of housing availability based on cost.

Data pertaining to the cost and availability of rental units in Omaha were obtained from three sources: (1) rental listings placed in the Omaha World-Herald during the past year, (2) a 1983 apartment rental survey conducted for the Omaha Planning Department, and (3) a 1984 study conducted by Donald A. Nielson and F. Don Wilson entitled, “An Analysis of the Omaha Apartment Market.”

Findings

The Nielson-Wilson analysis of the Omaha apartment market involved a survey of 20 of the major apartment management firms throughout the metropolitan area. This study (which was an update of a 1981 study) revealed that the total area vacancy rate had declined from 3.8 percent to 2.8 percent, reflecting a general trend toward a tighter rental market.

In addition, the surveys revealed the average rental rates had increased between 1981 and 1984 by 21.5 percent for studio apartments, by 35 percent for one-bedroom units, by 16.1 percent for two-bedroom units, and 18.6 percent for three-bedroom units.

As a measure of apartment availability and cost as it relates to Douglas County GA recipients, further analysis of the Nielson vacant unit data was conducted. This analysis showed that of the over 16,000 units in Omaha included in this survey, 452 were vacant, and of these, a mere 24 were affordable by GA recipients, given the payment schedule shown above.

Table 1 shows the rent prices, utilities paid by the tenant, number of units, and total estimated cost when utilities are included. In this study and the analysis of World-Herald listings, estimated monthly
utility charges for apartments were $30.00 for gas according to the Municipal Electric Utilities District and $30 for electricity (without electric heat) according to the Omaha Public Power District.

This study assumed that gas was the primary source of heat for all units. In cases where a tenant had to pay all utilities, a total estimate of $60.00 per month was added to the rental price to arrive at a total cost. Water, sewer, and cooking gas charges were included in the utility cost estimates. Utility charges added to the rental price, then, were either $0 (when all utilities were included), $30.00 (when heat or electricity was paid), or $60.00 (when the tenant had to pay all utilities). Table 2 provides a breakdown of utilities paid by the tenant for each apartment type.

A closer examination of Table 1 reveals that only six studio units would be affordable for a GA recipient household of one when utilities are included, given the $225.00 allowance. For a household of two of a total of 10 studios would be available for $250.00 or less. All the one-bedroom units affordable under the price schedule were either occupied or were above the maximum payable rate for households of one or two.

For a household of three, five one-bedroom and four two-bedroom units were available and affordable and for a household of four or more, only five one-bedroom and four three-bedroom units were affordable and available.

While the Nielsen-Wilson study provides clear evidence that the apartment market is becoming tighter and costs are increasing, the fact is that it is a survey of apartments managed by 20 major management firms suggesting that greater numbers of conversions and complexes managed by individuals and smaller firms may be available to GA recipients.

A 1983 apartment rental survey conducted for the Omaha City Planning Department, which included 28,210 units, provided some evidence that costs may be considerably lower, for example, when complexes other than those managed by major firms were included. A comparison of price ranges with those in the Nielsen-Wilson study is shown in Table 3.

The 1983 apartment rental survey also provided average rental price figures for apartments in Omaha. The average price for studios was $200.00, one-bedroom apartments averaged $256.00, two-bedroom apartments averaged $355.00, and the four-bedroom average was $386.00. These data gave no indication, however, of utility inclusion or the number of units vacant and available for rent.

As can be seen in the analysis of the Nielsen data, price ranges by themselves can be misleading in terms of availability. For example, the range of prices for studios was $150-$385 (see Table 3), but the least expensive vacant unit cost $185 ($215 including utilities). The greatest difference was for three-bedroom apartments where a $72 spread existed between the low end of the price range ($252) and the cheapest available unit ($322).

In order to gain a more complete understanding of the rental market, including conversions and smaller, individually managed complexes, a survey of data collected from Omaha World-Herald listings was conducted.

A breakdown of rental costs including utilities for listings in the Omaha World-Herald is presented in Table 7. When the number of units in each price range was compared to the GA housing allowance schedule, the percentage and average number of listings affordable to GA recipients could be determined. As shown in Table 8, a total of 42 units or 55 percent of the 77 studio listings, 93 (26 percent) of the 349 one-bedroom units and 13 (8 percent) of the 173 two-bedroom listings were affordable for a household of one with a $225 allowance. A household of two, 83 percent of the studios, 43 percent of the one-bedroom, and 74 percent of the two-bedroom units were affordable. Additionally, almost three-fourths of the one-bedrooms and one-fourth of the two-bedrooms were affordable for one tenant and one-fourth of the two-bedrooms was affordable for one and one-half tenants. A household of one and one-half would have over one-half of the two-bedrooms and one-third of the three-bedrooms were affordable for one tenant.
affordable for a household of four or more.

While the percentage of affordable listings was considerably higher than in the Nielson survey, analysis of the average number of units available per issue showed that the total number of studio and two- and three-bedroom apartments available at any given time was actually quite small.

A comparison of the number of affordable units in the Nielson study and the average number affordable per issue in the listings is presented in Table 9. This table also shows that substantially more studio and one-bedroom units were available and affordable for smaller households than were the two- and three-bedroom units needed by larger households.

Other Factors

Other factors that may have some bearing on the availability and affordability of apartment units by GA clients include the requirement of a security deposit prior to occupancy and the acceptance of children.

Of the 630 listings, 62 or almost 10 percent stated that such a deposit was required, most commonly for studio and one-bedroom units. In addition, 12 percent of the ads stated that "no pets or kids" were allowed. In both of these cases, the percentage of units where these policies exist and are enforced may be larger than that actually represented in the listings.

Summary and Conclusions

Given the experiences of the GA clients who had had difficulty securing housing that was decent and affordable, Legal Aid Society attorneys requested that a study of housing conditions, availability, and cost be conducted. Legal Aid attorneys were especially concerned that enforcement of a minimum decency requirement teamed with a too low payment schedule would create a "Catch-22" for recipients: voucher payments too low to buy decent housing and denial of shelter payments if clients were residing in substandard housing.

Part I of this study, which investigated housing conditions, estimated that as many as one-third of the Legal Aid Society's GA clients were living in substandard housing. These findings raised two important questions: (1) How many GA eligibles (including recipients) are currently living in housing that is below minimum health and decency standards?

(2) Is alternative housing that meets eligibility requirements available at a cost that low-income, GA eligibles can afford? This study of cost and availability did not address that former question, and while not providing a complete answer to the latter, it does provide evidence that some rental housing is available and affordable, given the GA payment schedule. The total number of units is not large enough, however, to state with certainty that a sufficient supply of decent housing exists at the given price ranges. In fact, the data seem to indicate that a real shortage may exist for larger households requiring two- and three-bedroom units.

Along with these findings, the following corollary questions remain unanswered: (1) Do these available rentals meet minimum health and decency standards? (2) Why have some GA clients had such difficulty locating decent and affordable housing? (3) How will trends toward a tighter rental market affect GA clients? Given the low numbers of units actually shown to be available, the uncertainties regarding the condition of this housing, and the housing difficulties some clients have had, the adequacy of the existing supply of rental housing within the GA price ranges remains questionable, especially for larger households.

An increase in demand or a decrease in supply (as seems to be occurring locally in the tightening rental market) could force greater numbers of GA clients to accept substandard housing, either as a result of price increases or a
greater competition for the existing lower-priced units.

In the future, should stronger indications emerge that demand is exceeding supply or if substantial numbers of GA clients are found living in substandard housing, the situation will require careful monitoring. Such monitoring will ensure that a regulation designed to protect clients from substandard housing and living conditions does not penalize these same people for living in substandard housing when choice is beyond their control.

1Carole M. Johnson, May 6, 1983. 1983 Apartment Rental Survey for the City of Omaha Planning Department.

2Review of Applied Urban Research, June, 1984, Volume XII, No. 3.

3Of 17,437 units surveyed in 1981, 670 were vacant while of 17,263 units surveyed in 1984 only 485 were vacant.

4Total of 16,274 units in Omaha excludes 989 units in Sarpy County which were also included in the survey.

5Inclusion of utilities varies and no cost estimates are included in the price ranges shown for either study.