

**The Housing Burden for Individuals with Supplemental Security Income
and the Need for Affordable Housing Choice**

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Background

During February 2013, the Indiana Housing and Community Development Authority (IHCD) convened five focus groups across the state to inform the authority's Analysis of Impediments to Fair Housing (AI). A consistent theme in all five focus groups was that the lack of safe, accessible, visitable and affordable rental housing was an impediment to people with disabilities having community based housing opportunities of their choice and access to services in the least restrictive setting. Focus groups also pointed out that rent structures for Low Income Housing Tax Credit (LIHTC) and HOME Investment Partnership (HOME) rental units are often not affordable to persons with a disability with only Social Security Supplemental Security Income (SSI). This paper will examine the affordability of market rate and subsidized LIHTC rents for individuals with disabilities receiving SSI.

LIHTC rents are determined by unit size and target income levels. A typical LIHTC development will target a mix of income levels based on the Area Median Income (AMI). Acknowledging the low incomes of persons with a disabilities, this paper focuses on the affordability of market rate one bedroom (1 BR) units based on the Metropolitan Statistical Area's (MSA) Fair Market Rent¹ (FMR) and LIHTC 1 BR units that target households at 30% and 50% AMI. This study uses data from 16 MSA's capturing the state's First and Second Tier cities. Affordability is determined by rents not exceeding 30% of a household's income.

Data Discussion

SSI Income in Indiana

The 2013 Federal monthly SSI benefit for an individual increased in Indiana to \$698. For the purposes of looking at what constitutes an affordable hourly wage, based on full time employment, this paper assumes the SSI benefit is equivalent to an hourly wage of \$4.36 per hour. The State minimum wage, established January 1, 2012, is \$7.25 per hour; as such, the SSI benefit is 40% less than the State's minimum wage. For the 16 selected MSA's, the SSI benefit is 18.8% of Area Median Income.

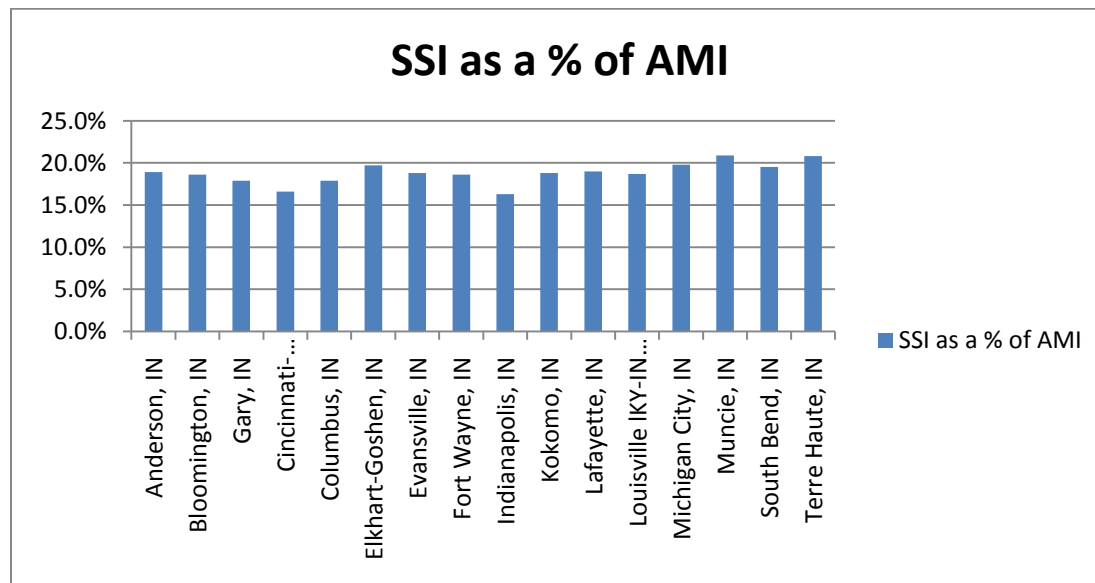


Table 1: SSI as a Percentage of Area Median Income

¹ Fair Market Rents are determined by the U.S. Department of Housing and Urban Development as the median rent based on unit size for the MSA. In Indiana, LIHTC rents for units in Lake and Marion Counties targeting households at 30% of AMI are 36% lower than Fair Market Rents for the two MSA's. HOME rents track closely with Fair Market Rents with a variance averaging 11.8%

Percent of SSI Income for Rent

Individuals with disabilities face considerable challenges finding affordable rental units throughout the 16 selected MSA's. On average, FMR rents for 1 BR apartments are 79.9% of the SSI monthly benefit. For 1 BR LIHTC units reserved for households at 30% AMI, the average rent across the selected MSA's is 47.9% of the SSI monthly benefit. For apartment units targeting 50% AMI, the rent is 80% of the benefit.

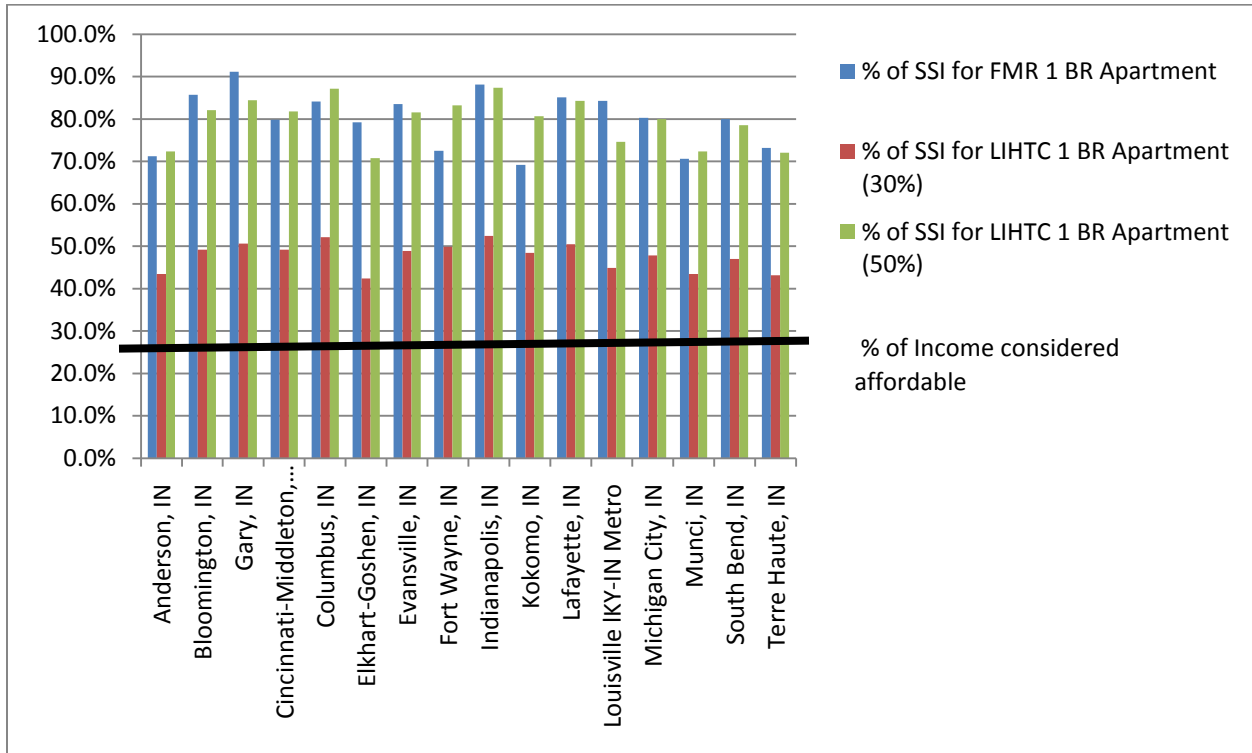


Chart 1: Percent of SSI Benefit used to pay for a 1 Br Apartment at Fair Market Rent and 1 BR LIHTC Units Targeting Households at 30% and 50% AMI

Assuming affordable rent should not be greater than 30% of a household's income, the data suggests that individuals with disabilities are being "priced out" of both market rate and subsidized 1 BR units. It is important to remember that percentages of income have a disparate impact on low income households. A higher income household is capable of a higher housing burden by the fact that its disposable income is still ample for food and other necessities. After paying 30% of the SSI benefit, a disabled individual has \$489 to cover all other monthly household expenses.

Affordability is slightly better for efficiency LIHTC units targeting households at 30% AMI: on average, efficiency rents targeted for 30% AMI households are 44.8% of the monthly SSI benefit: however, FMR efficiencies are 68.0% of the benefit. The situation is exacerbated by the difficulty LIHTC developers have in providing efficiencies targeting households at 30% AMI because the rents do not support debt often necessary for LIHTC developments. In addition, market studies often do not support the development of efficiencies outside the large urban markets. Only 5.8% of LIHTC units in Indiana are efficiency apartments.

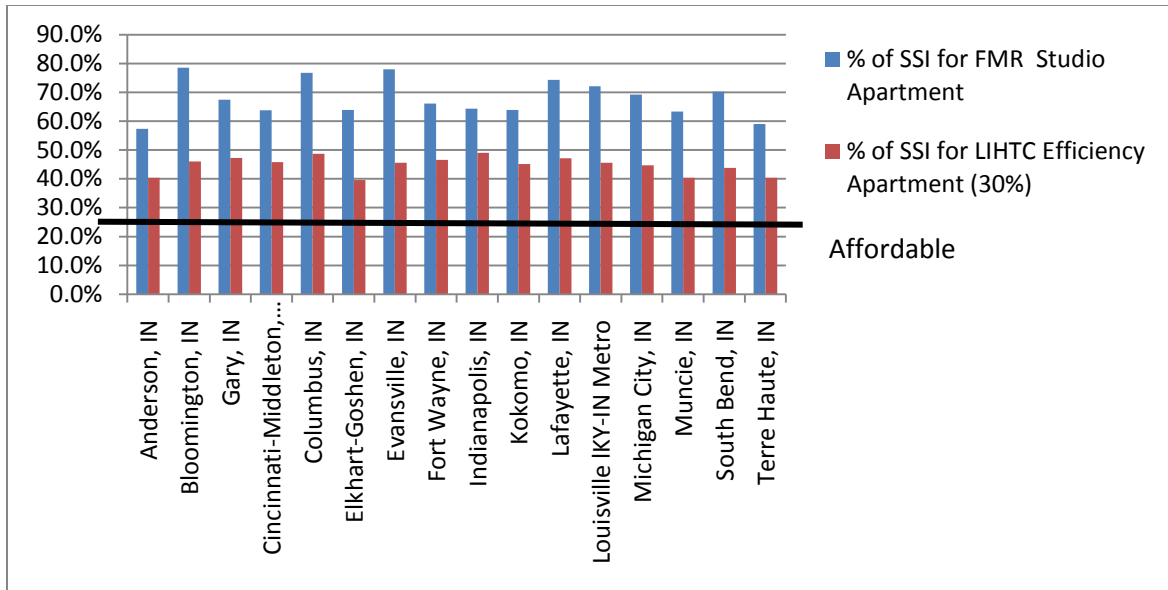


Chart 2: Percent of SSI Benefit for FMR and 30% LIHTC Efficiencies

Affordability for SSI Income Households

Using the 30% of household income affordability standard, the “housing wage” needed for a 1 BR FMR apartment in Indiana is, on average, \$10.72 an hour. The affordable housing wage for a 1 BR apartment is significantly above both the minimum wage and the monthly SSI benefit. On average, the SSI benefit is only 41% of the wage needed for affordability.

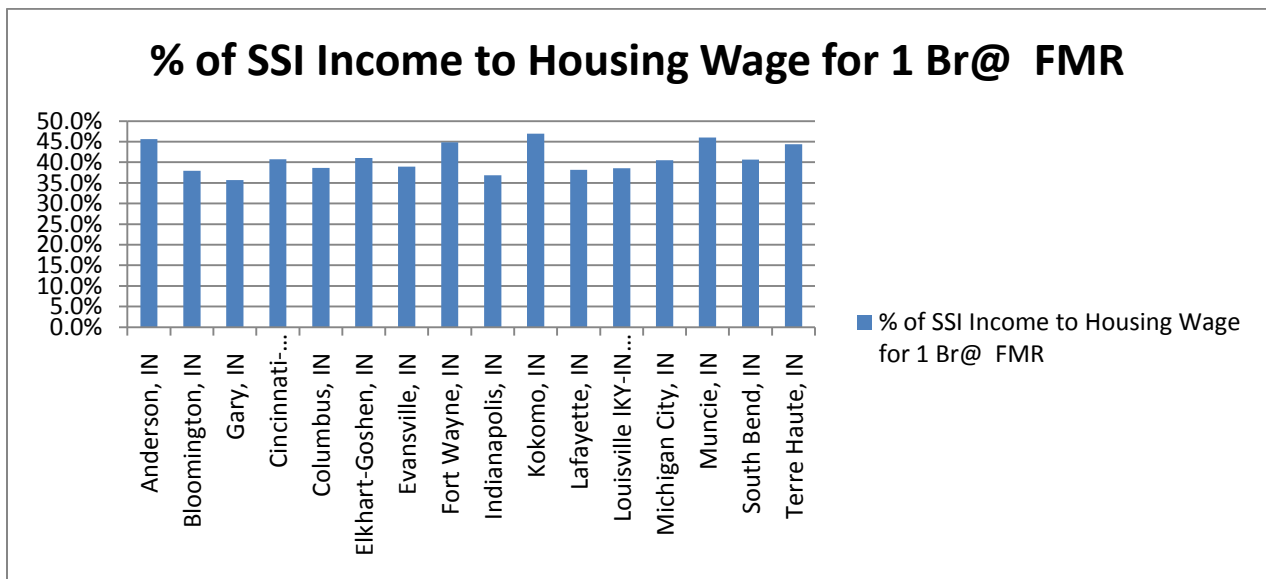


Chart 3: Percent of SSI Benefit to Affordable Housing Wage for a 1 BR FMR Apartment

Need for Rental Subsidies

The data suggests that subsidized units without an additional rental subsidy, such as Section 8 Housing Choice Voucher or Section 811 Project Based Rental Assistance, still create a housing burden on individuals with a disability. Even LIHTC properties targeting households at or below 30% AMI are unaffordable to individuals receiving only SSI. In order to scale up production of efficiencies targeting household at 30% or below AMI, LIHTC developers will need rental subsidies to boost cash flow throughout the affordability period. This short study points to the housing affordability crisis for individuals with disabilities and how this inevitably curtails housing choice as suggested in the AI focus groups.