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The Double Crisis: A Statistical Report on Rental Housing Costs and Affordability in Baltimore City, 2000-2013

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INTRODUCTION

More than half of Baltimore's renters live in housing they cannot afford; 57 percent pay more than 30 percent of their income for housing and, staggeringly, 33 percent pay more than half. And it's getting worse. Rising rents and stagnant incomes have forced more and more families to spend more of their budget on housing, and increasing financial insecurity and the risk of eviction or foreclosure. Burdens of this magnitude force families to cut down on other necessary expenses, and can have negative effects on child outcomes and quality of life.[1]

But critically, these aggregate statistics mask the fact that Baltimore's affordable housing crisis is actually two crises occurring simultaneously — an income crisis and a rent crisis.

The first crisis is driven by the city's poverty and a shortage of subsidized and affordable housing. In Baltimore, 34 percent of families who rent live below the poverty line — totaling approximately 19,000 families and 150,000 individuals.[2] For those lucky enough to live in subsidized housing, burdens are lightened. But the majority of poor renters must pay for their housing without the benefit of a subsidy. For them, the private-market options available in the city are invariably unaffordable, leading to frequent unplanned relocations.

1 Newman and Holupka 2014, Kirkpatrick and Tarasuk 2011

2 American Community Survey 2013

The second crisis affects the city's working- and middle-class renters — roughly those families earning between $20,000 and $75,000 per year.[3] These families earn enough that they should theoretically be able to find housing that meets their needs within their budget. However, housing costs throughout the city have risen sharply in recent years, while income has remained stagnant (in inflation-adjusted terms). As a result, housing burdens among nonpoor families have shot up sharply over the last 10 years, creating unprecedented struggles in Baltimore's mid-market neighborhoods.

This report looks at this dual phenomenon throughout the city and over time, comparing housing costs and affordability between 2000 and 2013. I attempt to highlight what has changed in Baltimore and how the traditional adage that "Baltimore doesn't have a housing affordability problem, it has a poverty problem" is increasingly missing the complexity of the issue. Indeed, focusing only on the city's entrenched poverty masks emergent dynamics within the housing market and defers interventions that could help to mitigate rising housing costs at all levels.

3 All dollar figures in this report are in inflation-adjusted 2013 dollars. The federal poverty line for a family of three is $20,900.

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RENTAL HOUSING AFFORDABILITY IN BALTIMORE

In Baltimore, 57 percent of renters are housing-cost burdened, defined as paying more than 30 percent of their income on housing.[4] A third of all renters devote more than half their income just to housing, amounting to a severe burden. These aggregate statistics are driven in part by Baltimore's high rates of poverty. Nearly a third of all families living in rental properties live below the poverty line, and the median renter household in Baltimore makes just $27,302 per year.

This income figure is misaligned with the city's rents. The median monthly rent in Baltimore is $774,[5] significantly higher than in the past, but still closer to Philadelphia ($709) and Chicago ($839) than high-rent cities such as Washington, DC ($1,222) or New York ($1,125).[6] Unfortunately, in order to afford the median rental in Baltimore, a family would need to be making $30,960 per year, or about $15.50 per hour for a full-time worker, and exceeding the median renter household income in Baltimore by $3,658. And this is just the median rent; the Department of Housing and Urban Development estimates that a two-bedroom apartment of reasonable quality in Baltimore City should cost around $1,232 per month.[7] To afford such an apartment, a family would need to earn $49,000 per year, the equivalent of one full-time earner making $24.64 per hour — or three times the minimum wage. Map 1 presents the same calculation using a more reasonable estimate of a fair rent — one that varies by zip code. Even at these levels, there is no area in Baltimore in which two full-time minimum-wage earners could afford the median rent for a two-bedroom apartment.

For renters, the affordability story is complex. As shown in Figure 1, rents have risen in the city far more rapidly than renters' incomes, but the percentage of burdened families has changed more modestly from 51 percent to 57 percent (as shown in Table 1). This figure, however, doesn't tell the whole story, which clarifies dramatically when the citywide affordability patterns are stratified by household income, as shown in Table 2. For poor families, there has not been much change — the vast majority of these families have been living in unaffordable housing for decades and still do. It is likely, although the data cannot show it explicitly, that the 15 percent to 20 percent of these households that are unburdened are living in some sort of subsidized housing — either with a Housing Choice Voucher (formerly known as a Section 8 voucher) or in a fixed-rent apartment. In contrast, it is remarkable to what degree unaffordability has risen among the working and the middle classes. In 1998, families

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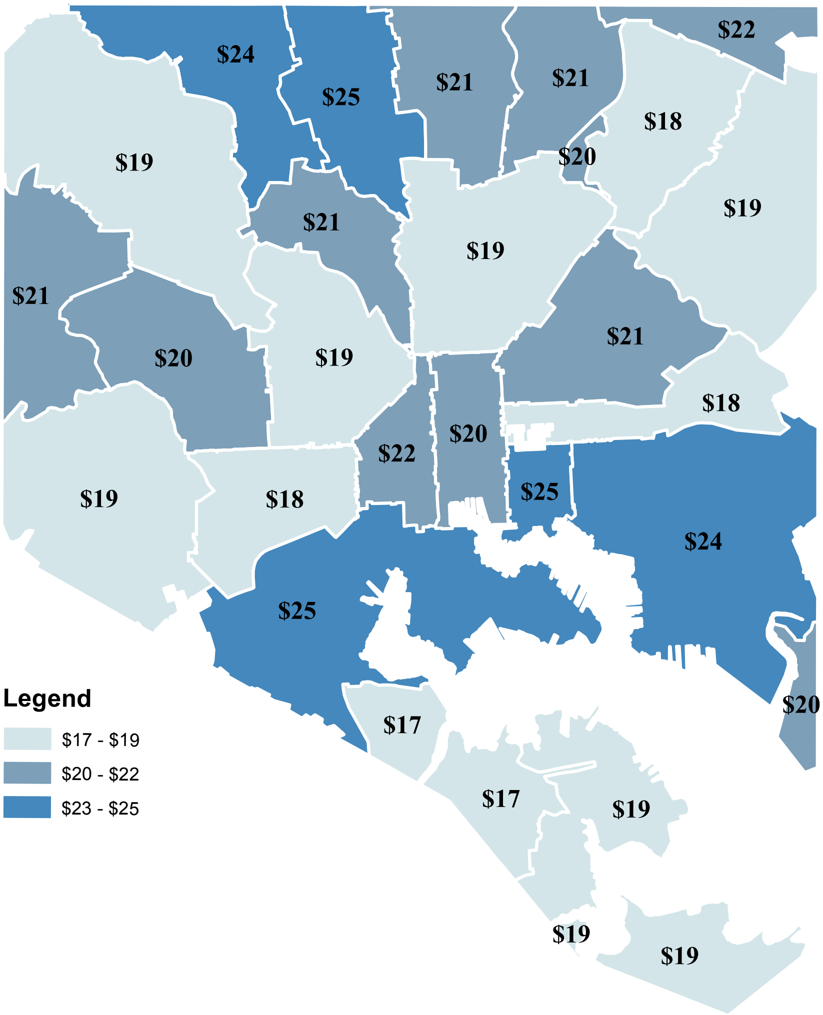
4 See appendix for discussion of these measures.

5 Figure from 2013 American Community Survey. For the sake of brevity, not all figures contained in tables are repeated in text.

6 For more details see Table 7.

7 This figure is based on the metropolitan 40th percentile rent for a unit of reasonable quality currently on the market. Because it is calculated at the metropolitan level, it is generally considered to be inflated in high-poverty jurisdictions and deflated in low-poverty ones. It is used here because it matches the metric used by the *Out of Reach* reports, which tracks affordability nationwide.

Map 1: Hourly Wage Needed To Afford Two Bedroom Unit



40 hours per week, unit priced at Fair Market Rate, Baltimore Maryland, 2014

earning more than $40,000 per year could generally find housing they could afford in the city.[8] This is no longer the case. Nearly 30 percent of renter families earning between $40,000 and $75,000 in income are burdened by their housing costs. The biggest jump appears to have been in just the last six years, when the number of cost-burdened middle-income renter households shot from 1,800 to more than 7,500.

In these graphics (page 4) , we can begin to see the nature of the double crisis. Although burdens have not increased substantially for Baltimore's poorest families, this is simply a function of their housing burdens being so high to begin with. Indeed, for burdened renters, the median family was paying 59 percent of its income in housing in 1998 and 61 percent today. The fact that such debilitating burdens have "only" increased by two percentage points is hardly cause for celebration; it reflects a decades-long failure to address the needs of burdened families. Compounding the affordability crisis, the story for families who once earned enough to afford housing is getting worse — and quickly spreading throughout the city.

Map 2 divides the city into four rough categories. In some areas, where the median income for families is less than $20,000 per

8 This is $40,000 in 2013 dollars.

Figure 1: Percentage Change In Renter Income and Median Contract Rent, Baltimore City 2000-2013

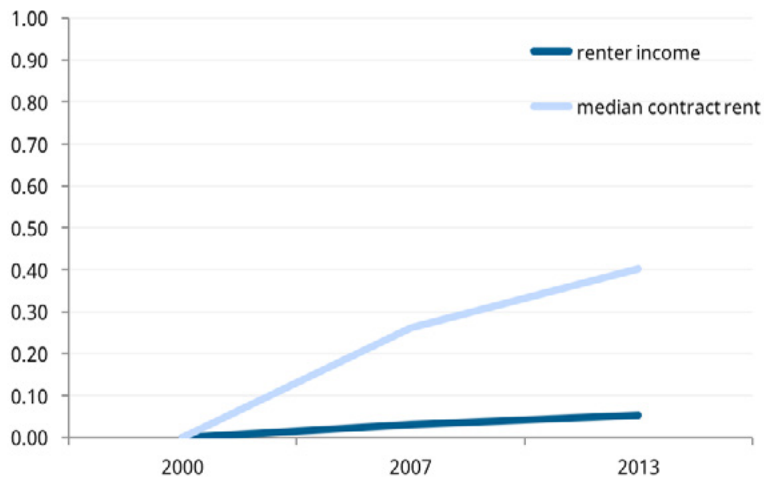


Table 2: Affordability Trends By Income

Percent of Renters Spending > 30% of Their Income for Housing			
Household Income	**1998**	**2007**	**2013**
< 20K	78.6%	78.6%	84.1%
20K to 40K	44.4%	67.5%	70.2%
40K to 75K	7.1%	10.7%	29.8%
75K plus	0.0%	0.0%	6.5%
All	**51.3%**	**52.7%**	**56.9%**

Number of Renters Spending > 30% of Their Income for Housing			
Household Income	**1998**	**2007**	**2013**
< 20k	34,705	29,833	36,163
20K to 40K	14,508	20,065	18,573
40K to 75K	1,158	1,798	7,609
75K plus	--	--	1,068
All	**50,371**	**51,696**	**63,413**

Source: Ameriwcan Housing Survey, Baltimore Metro, 2013, 2007, 1998

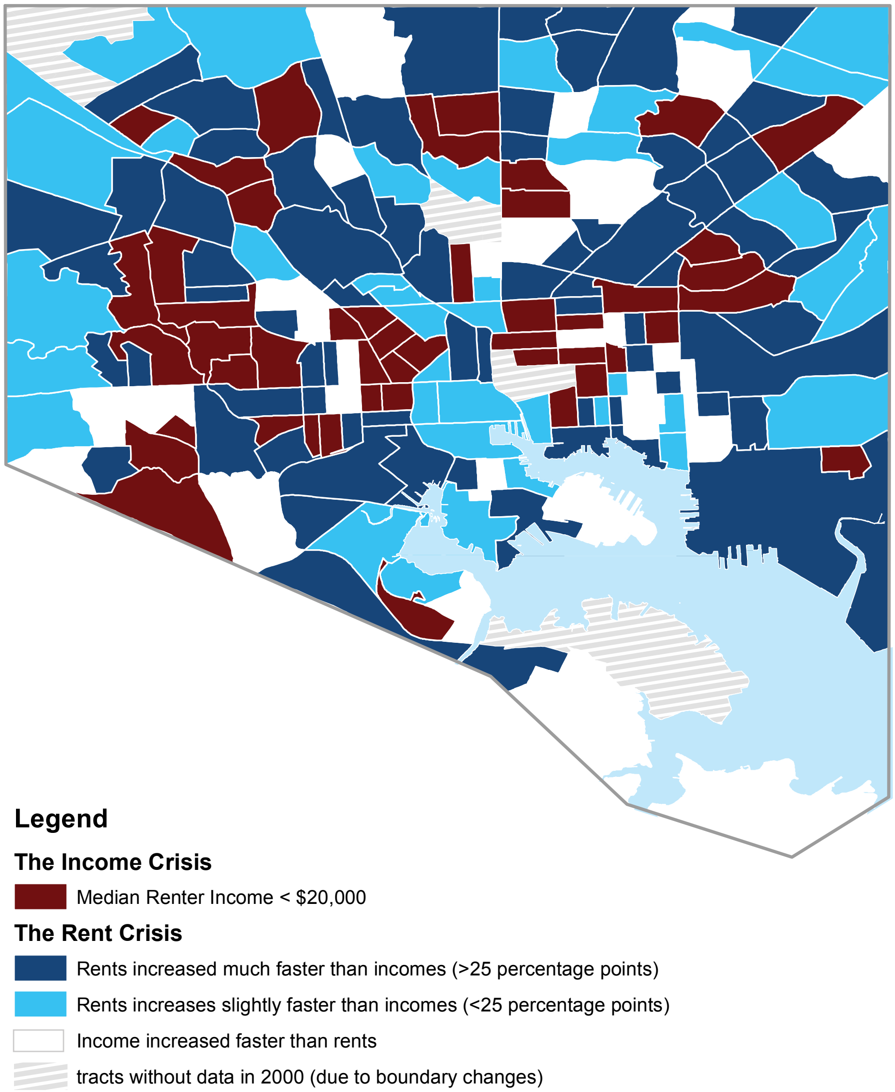
Table 1: Baltimore City Housing Over Time

Median Income			
	2000	**2007**	**2013**
Renter Households	26,742	28,991	27,302
Median Contract Rent			
	2000	**2007**	**2013**
Rental Units	552	697	774
Vacancy Rate			
	2000	**2007**	**2013**
Overall (includes Abandoned)	14.1%	20.9%	18.5%
Rental Vacancy Rate	7.6%	12.8%	8.6%
Affordability			
	1998	**2007**	**2013**
% Renters Paying > 30% of Income	51.3%	52.7%	56.9%
% Renters Paying > 50% of Income	29.8%	31.8%	33.5%

Sources: American Community Survey, 2013, 2007, Decennial Cenus 2000, Real Property Sales Data 1984-2013

Note: All figures reported in 2013 dollars. Properties that sold for less than $5,000 excluded from MSP calculation.

Map 2: Baltimore's Double Crisis



Source: American Community Survey, Decennial Census, All Changes in 2013

year, we see entrenched affordability problems. Outside of those high-poverty tracts, however, the vast majority of neighborhoods have experienced rents rising much faster than income. Only in a small fraction of neighborhoods, shown in white on the map, did income outpace rents. This means that for almost all of Baltimore's neighborhoods, cost burdens have either been at a crisis level for decades or are approaching it.

WHO IS BURDENED?

Table 3 displays the affordability patterns for different demographics. Because they need larger housing, but do not necessarily have larger incomes, female-headed households with kids suffer under the largest housing burdens — a statistic that is particularly concerning given that families with children generally must spend more on basic necessities and thus experience the effects of a housing-cost burden more severely.

The table also shows that black households are more burdened than white households, but this difference is entirely driven by their incomes. In other words, black families are not living in more expensive housing than white

These families are essentially being squeezed between areas of high-rent increases and areas of concentrated poverty, with Baltimore's hard lines of racial and economic segregation defining boundaries on either side.

families with the same income (although their housing may not be equivalent in other ways). Hispanic renters fall squarely between white and black families in terms of affordability.

As shown in Table 4, large housing complexes are more likely to provide affordable housing than row-homes and single-family detached houses. This is not particularly surprising, for two reasons. First, large buildings simply provide less 'house' for the same amount of living space — sharing one roof, one furnace, and so forth — and thus can distribute costs through multiple units. Second, large buildings are more likely to have construction subsidies, which would reduce the contract rent reported by the American Community Survey (ACS). The fact that such a vast percentage of Baltimore rental units are in small properties (69 percent have fewer than five units in the building and 55 percent have only one) may be contributing to higher rents citywide.

At least in theory, there might be another explanation for unaffordable housing: Perhaps families are simply electing to spend more on housing because they value the space and quality that expensive housing provides. Although the housing quality measures in the American Housing Survey are far from ideal, we can examine this question directly and determine whether unaffordable housing is in better condition than the affordable stock. Tables 5 and 6 suggest that there is actually little difference between burdened and unburdened households in terms of crowding and housing quality. Burdened families actually live in housing that is slightly lower quality than the unburdened, but the difference is small and entirely explained by income. It appears that housing burdens have far less to do with the types of housing families want to live in, and far more to do with what they can find on the market. In other words, most burdened families are burdened by necessity, not choice.

BALTIMORE AND OTHER CITIES

When compared to other cities, it is easy to see how Baltimore's affordability crisis is amplified by the dual nature of the problem: Baltimore is a poor city, but unlike some cities in the South and Midwest, this poverty is not compensated with a particularly low cost of living, trapping residents in the undesirable intersection of the two.

Table 7 shows how Baltimore City compares to the top 25 largest cities in the country. Baltimore ranks fifth for rental housing burdens, with only Detroit, Los Angeles, Philadelphia, and Memphis being less affordable.[9] Baltimore's median rents, however, are more squarely in the middle of the pack — ranking 15 out of 25. The reason Baltimore ranks so poorly on affordability compared to its rents, is that only six cities have lower median incomes and all of those have lower median rents. It appears that Sun Belt cities such as El Paso, Dallas, and San Antonio are able to sustain low incomes by virtue of having low housing costs — but

9 This analysis only compares Baltimore (the 26th largest city) to the top 25. It is, of course, likely that other smaller cities may have lower affordability rates.

Table 3: The Rental Housing Burdens by Household Type

	% Paying >30% of Income	% Paying >50% of Income
All Households	56.9	33.5
Households With Kids	65.5	43.5
Elderly Households	56.7	28.9
Female Headed Households	59.0	36.6
Female Headed With Kids	65.4	43.9
White	50.0	26.2
Black	60.6	37.6
Hispanic	55.0	34.0

Source: American Housing Survey, Baltimore Metro, 2013

Table 4: Distribution of Rental Property Type For Burdened and Unburdened Renters

	Unburdened Renters (<30%)	Burdened Renters (>30%)
Single Unit Detached	7.4%	8.0%
Single Unit Attached	40.6%	53.3%
2 Units	8.1%	5.2%
3 Units	3.3%	2.2%
4 Units	3.0%	4.4%
5 to 10 Units	11.8%	6.9%
11 to 50 Units	7.2%	6.5%
More than 50 Units	18.6%	2.2%

Source: American Housing Survey, Baltimore Metro, 2013

Table 5: Crowding for Burdened and Unburdened Renters

	Unburdened Renters (<30%)	Burdened Renters (>30%)
Persons per Bedroom	1.10	1.04

Source: American Housing Survey, Baltimore Metro, 2013

Table 6: Housing Quality for Burdened and Unburdened Renters

	Unburdened Renters (<30%)	Burdened Renters (>30%)
Adequate	91.6%	88.2%
Moderately Inadequate	3.3%	5.1%
Severely Inadequate	5.2%	6.7%
Hot Water in Unit	100.0%	100.0%
Unit has Toilet	100.0%	100.0%
Shared Bathroom	2.9%	3.9%
Extended Periods of Cold	9.0%	11.9%
Exposed Wiring	3.9%	0.4%
Frequent Fuses Blown	1.6%	2.8%
Water Leak from Outside	11.0%	12.5%
Water Leak from Inside	13.8%	10.6%
Holes in Floors	0.8%	0.6%
Cracks in Walls	4.7%	9.6%
Pealing Paint	3.1%	2.9%
Rodents in Unit	38.6%	43.8%

Source: American Housing Survey, Baltimore Metro, 2013

Table 7: How Baltimore's Rent Burden Compares to Other Cities

	% Burdened Renters	% Renters Earning <$35k Burdened	Median Contract Rent	Rank (Lowest to Highest)	Median Renter Income	Rank (Lowest To Highest)
Detroit, Michigan	66.1	82.9	$548	1	$16,225	1
Los Angeles, California	61.5	91.6	$1,084	19	$35,369	18
Philadelphia, Pennsylvania	57.5	86.0	$746	12	$26,603	3
Memphis, Tennessee	56.8	84.8	$618	2	$25,406	2
Baltimore, Maryland	**56.4**	**82.0**	**$774**	**15**	**$27,302**	**4**
San Jose, California	55.1	93.0	$1,446	26	$51,707	25
New York City, New York	54.0	86.4	$1,125	21	$40,908	21
Indianapolis, Indiana	53.6	83.8	$634	3	$27,528	5
Jacksonville, Florida	53.1	87.1	$769	14	$32,624	9
San Diego, California	52.8	91.5	$1,254	24	$47,843	24
Boston, Massachusetts	51.5	78.9	$1,154	22	$40,065	20
Denver, Colorado	51.1	82.1	$831	16	$32,709	10
Chicago, Illinois	51.0	86.1	$836	17	$33,706	14
Austin, Texas	50.5	92.4	$863	18	$38,825	19
San Antonio, Texas	49.8	81.9	$690	6	$31,814	8
Washington, DC	49.5	82.8	$1,222	23	$46,699	22
Phoenix, Arizona	49.3	84.2	$723	11	$32,971	12
Charlotte, North Carolina	49.0	85.4	$763	13	$35,283	17
Fort Worth, Texas	48.8	86.8	$706	8	$34,750	16
El Paso, Texas	48.7	68.1	$660	5	$28,665	6
Dallas, Texas	48.3	81.8	$707	9	$32,929	11
Nashville-Davidson, Tennessee	48.0	81.3	$706	7	$33,168	13
Columbus, Ohio	47.9	80.9	$654	4	$31,491	7
Houston, Texas	47.8	84.3	$709	10	$34,737	15
Seattle, Washington	45.3	87.9	$1,087	20	$47,761	23
San Francisco, California	44.7	81.3	$1,440	25	$61,210	26

Source: American Community Survey, 2013, 1-year estimates

The income crisis dominates this map — even the most expensive neighborhoods along the water have housing-cost burdens far below high-poverty neighborhoods like Penn North and Broadway East.

offering neither low costs nor high incomes, Baltimore renters face burdens as high as families living in cities with tight housing markets.[10]

THE SPATIAL DISTRIBUTION OF AFFORDABILITY

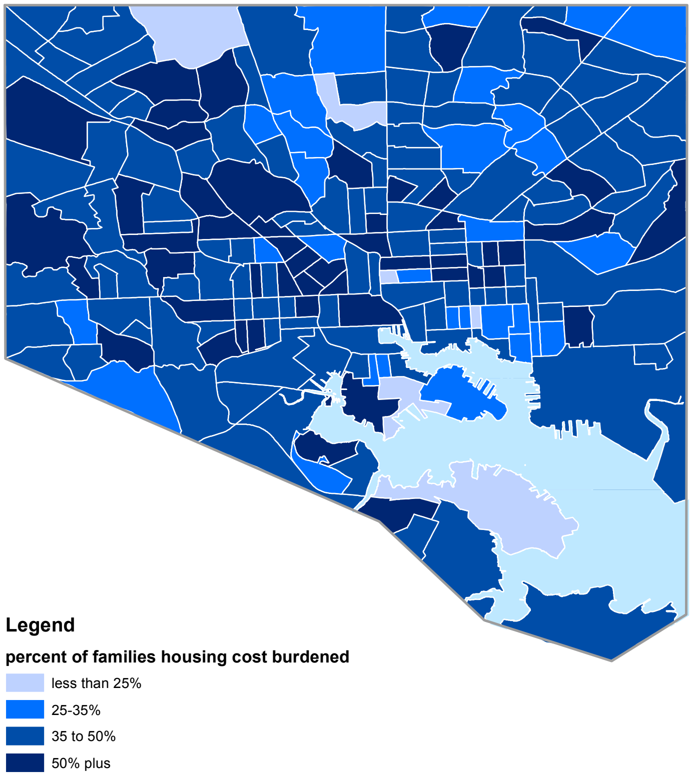
The distribution of incomes in Baltimore is highly uneven. The poorest families are concentrated in East and West Baltimore, approximating an inner ring around downtown. Moving outward, Baltimore's typical "butterfly" pattern emerges, with pockets of affluence along the water and north of downtown, and low- to moderate-income communities on either side. As one goes northeast and northwest, the residents become increasingly middle class. Not surprisingly, housing burden patterns, presented in Map 3, follow a similar pattern, with the most burdened residents living closer to downtown. The income crisis dominates this map — even the most expensive neighborhoods along the water have housing-cost burdens far below high-poverty neighborhoods like Penn North and Broadway East. Map 4 presents the median rents for each tract in Baltimore. The range of rents in the city is indeed vast. Most shockingly, areas along the coast — where the median rent is above $1,000 — immediately abut portions of East Baltimore where rents fall below $500.

But how have rents changed over time by neighborhood? As shown in Appendix Table A and visualized in Figure 2, the areas of greatest rent changes are those in the luxury markets around the water and west of the Johns Hopkins Homewood Campus.

The few neighborhoods in the city where rents remained stagnant or decreased generally contained such high rates of poverty that they do not appear to have helped families afford their housing — housing-cost burdens increased for those families and the slight reduction in rent did not overcome the income gap. The story of the gold coast is a mixed one. Baltimore City has invested significant resources in areas along the water and has largely succeeded in attracting a new wave of higher-income families into the city. These new families were desperately needed by the city, which has struggled to sustain adequate city services in the face of a declining tax base. However, there does not appear to be a contemporaneous expansion of middle-market communities. This is troubling from an affordability perspective. Between 2007 and 2013, the number of renter households earning between $20,000 and $40,000 actually dropped by about 3,000, and yet the percentage of these families suffering a housing burden increased. This suggests that these families are essentially being squeezed between areas of high-rent increases and areas of concentrated poverty, with Baltimore's hard lines of racial and economic segregation defining boundaries on either side.

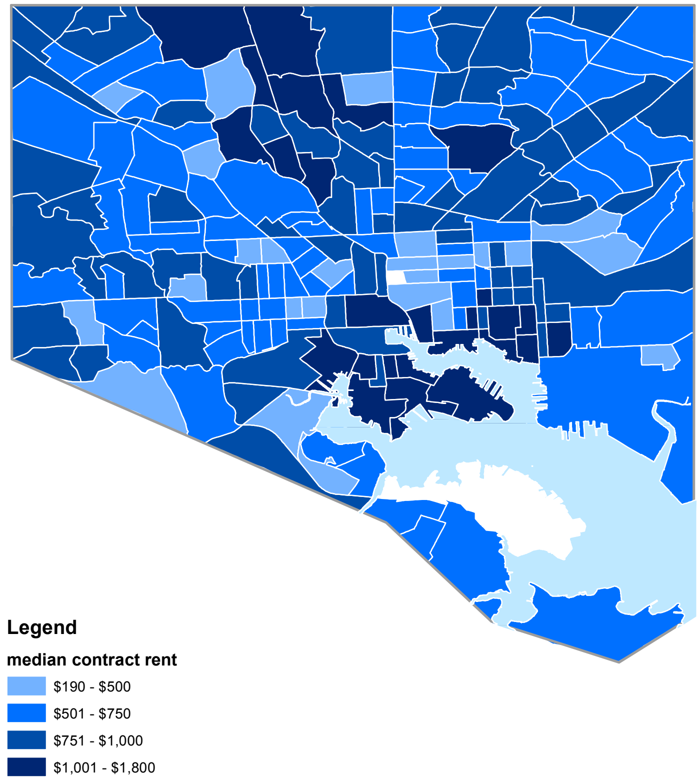
10 The reason that Baltimore falls into this "worst of both worlds" position is not entirely clear. Housing costs have long been lower in the South, West, and parts of the Midwest, due to a variety of factors such as the availability of undeveloped land, construction costs, job markets, and so forth. Despite its position south of the Mason-Dixon line, Baltimore's housing stock is northern in most respects. Furthermore, Baltimore holds the unenviable position of being a very poor city within one of the wealthiest metropolitan areas in the country, a reality that reverberates throughout the Baltimore housing market.

Map 3: Percent of Households Spending > 30 Percent of Their Inclome On Housing



Source: American Community Survey 2009-2013

Map 4 Median Contract Rents In Baltimore, 2011

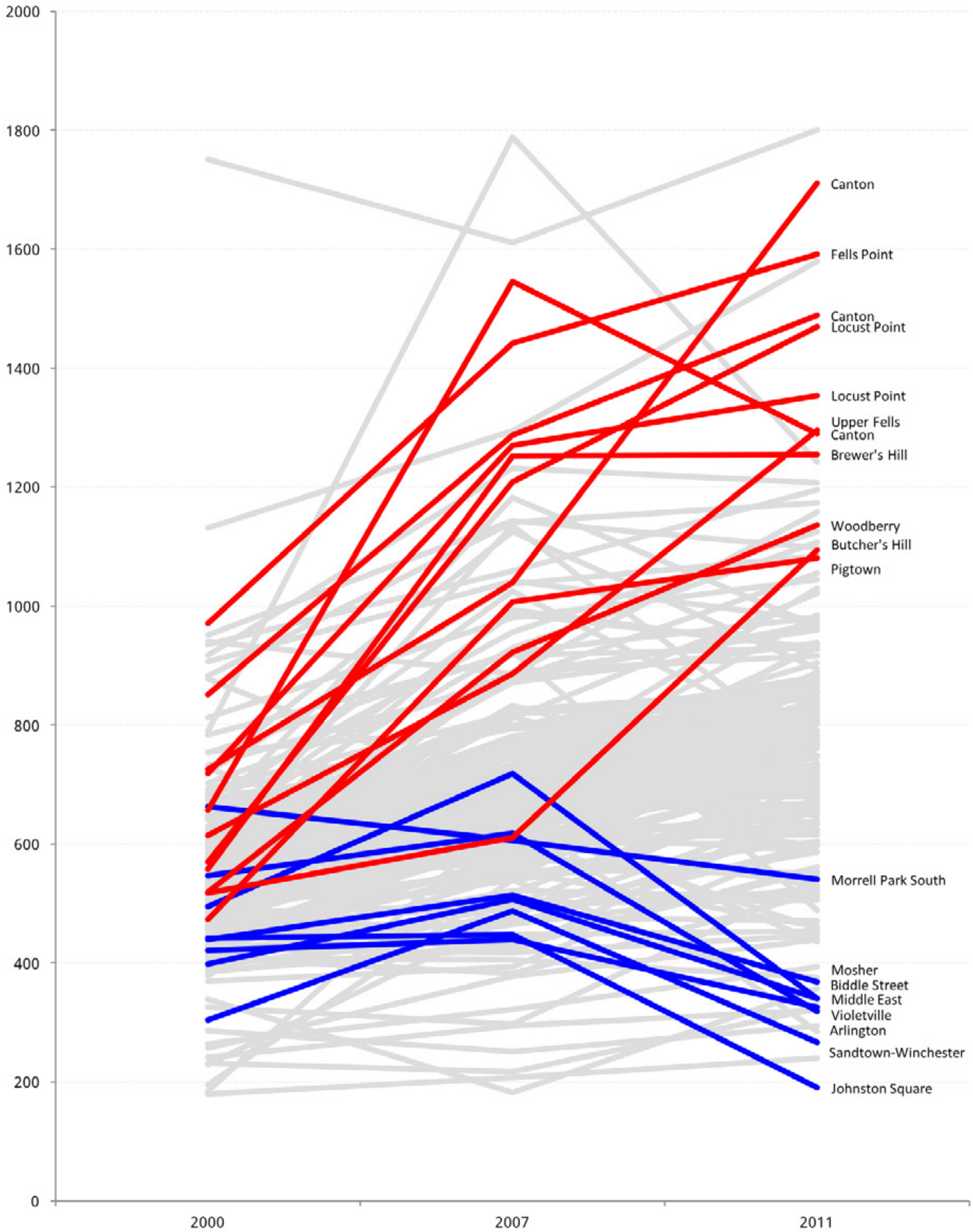


Source: American Community Survey 2009-2013

Poppleton: The Income Crisis

Located just west of Martin Luther King Boulevard in West Baltimore, Poppleton is paradigmatic of Baltimore's income crisis. Sixty-one percent of households in Poppleton are housing-cost burdened, but high housing costs are not to blame. The median rent in the neighborhood is just $321. While this figure has increased slightly (from $248 in 2000), it's hard to say the housing in Poppleton is 'too expensive.' Instead, the high-cost burdens emerge directly from the neighborhood's high levels of poverty. The median renter household makes just $14,311, up only marginally from $12,223 in 2000. While Poppleton houses a substantial number of subsidized renters, it is clear from the numbers that these subsidies — while certainly helping — are inadequate for the demand.

Figure 2: Median Rent By Census Tract Since 2000



HOUSING SUBSIDIES AND AFFORDABILITY

In Baltimore City, 10,277 families live in public housing and another 14,825 receive some form of housing voucher that they can use, theoretically at least, to lease any reasonably priced apartment unit in Baltimore City or the region (see Table 8 for a detailed breakdown).[11] Because recipients are required to pay only 30 percent of their income in rent, these programs have the benefit of ensuring affordability. On the supply side, 23,078 units are subsidized either through the project-based Section 8 program or construction tax credits — subsidies that remain with the units themselves regardless of who is living in them. Unfortunately, the available data provide no good way to combine these two figures, as many families use vouchers to live in units already earmarked for subsidies. Furthermore, properties subsidized through tax credits do not have the same affordability criteria or eligibility requirements as Housing Authority of Baltimore City (HABC) vouchers or public housing. The total number of households receiving some form of subsidized housing can best be considered to fall within a range between 25,000 at a minimum and 45,000 at a maximum — with the true figure falling somewhere in between.

Despite some large-scale demolitions, the city has not appreciably lost subsidized rental units over the last three decades. In the late 1980s, there were approximately 18,000 public housing units, 4,000 Section 8 vouchers, and no Low-Income Housing Tax Credit (LIHTC) units.[12] Despite a massive federal retrenchment in the late 1980s, the city has actually managed to maintain, if not increase, the number of subsidized units in the city. While 8,000 public housing units have been demolished, there

Table 8: Housing Subsidy Programs

Subsidized Households	
Public Housing	10,277
Housing Choice Vouchers	11,565
Thompson Vouchers	2,143
Other Vouchers	1,117
	25,102
Subsidized Units	
Section 8, New Constr/Subs Rehab	4,881
Section 236	1,617
Multi-Family Other	6,617
LIHTC	9,963
	23,078
Waiting Lists	
Families on Public Housing Waitlist	26,668
Families on HCV Waitlist	7,551
Families on Both Waitlists	2,915
	37,134
Eligibile Households	
Low-Income Renters (HUD eligibility)	82,997
Very Low-Income Renters (HUD eligibility)	62,243

Sources: HABC Annual Report FY2014, Picture of Subsidized Households 2013, Author's Tabulations

11 One complexity here is that the 14,825 figure includes 2,143 vouchers issued through the Baltimore Housing Mobility Program (nee *Thompson*), which requires families to live for at least two years (formerly one year) in a low-poverty neighborhood, generally outside of the city. Nevertheless, the total figure approximates the number of subsidized families within the city.
12 The LIHTC program began in 1986.

Coldstream, Homestead, Montebello: The Rent Crisis

Although pockets of poverty exist, the Coldstream, Homestead, Montebello neighborhood in East Baltimore contains a significant number of working-class families. The median income for families in C.H.M. is $33,042 ($27,537 for renter households). Although the incomes of homeowners have remained relatively flat, renter households in C.H.M are actually earning $7,000 more than in 2000. And yet, 58 percent of households are cost-burdened — similar to rates in high-poverty neighborhoods like Poppleton. The reason for this can be found in the sharp increase in rents, which rose by about $300 per month over the last 15 years, from a relatively modest $497 to $780 today. Although $780 does not approach the rents found in Baltimore's wealthy neighborhoods, it nevertheless puts much of the housing in C.H.M. out of reach for the families that live there. The median apartment would now require the median renter household to pay 34 percent of its income in rent, even before utility costs are considered.

has been at least that number of new housing vouchers. Although longitudinal data are not available for the other place-based subsidy programs (such as Section 8 New Construction / Substantial Rehabilitation, and Section 236), it seems unlikely that reductions in these programs would exceed the 10,000 new low-income units added through the LIHTC program. These changes have fundamentally altered the nature of housing subsidies in Baltimore, having profound impacts on the life of subsidized families, the demographics of who is subsidized, and the neighborhoods these families live in. It is beyond the scope of this report to discuss these changes, but it is nonetheless true that there has not been a substantial reduction in the aggregate number of subsidized units.

Regardless of the historical trend, the current housing subsidy programs are woefully inadequate for addressing the housing needs of Baltimore's families. They are underfunded and cannot keep up with demand. There are many indications of this. First, despite recent list purging, 37,134 families remain on the waiting list for public housing, housing vouchers, or both. In other words, many more families want these forms of subsidy than actually receive them. Project-based units maintain their own separate and private waiting lists, but anecdotal accounts suggest those lists can be long as well. Daily proof of this shortage can be seen in the city's staggering number of evictions: In 2015, landlords filed for eviction 156,376 times, evicting 7,235 families, almost always because they were struggling to pay rent.[13] Looked at from another angle, 82,997 renter households meet HUD's low-income eligibility criteria and 62,243 of those are considered "very low income" — both figures substantially above the number of subsidized units. The extant subsidized housing programs do help close the affordability gap, but they are simply not enough.

WHY IS THIS HAPPENING AND WHAT IS TO BE DONE?

The goal of this report is to carefully describe the nature of the affordability crises in Baltimore. A careful evaluation of its origins and the various policies that could address this issue is beyond its scope. The causes and solutions of both crises are complex and each should be analyzed individually. However, a few

13 Public Justice Center 2015

The extant subsidized housing programs do help close the affordability gap, but they are simply not enough.

conclusions emerge from the above analyses that suggest policy directions.

The Income Crisis: There is no private-market solution for many of Baltimore's poorest residents. At an affordability standard of 30 percent of income for housing, a family earning less than $10,000 per year can afford to pay only $250 dollars per month (including utilities). It is impossible to envision a scenario where a private landlord could provide adequate noncrowded housing to families at that price point, particularly with Baltimore's small aging housing stock. Indeed, the research evidence suggests that almost none do.[14] Even if it were somehow possible, it is a business strategy that few for-profit landlords would wish to pursue — a market reality embedded within each of Baltimore's 16,000 vacant and abandoned structures.

From a policy perspective this means simply that initiatives such as rent control and landlord shaming will have little hope of aiding Baltimore's poorest families. If the city can't increase its levels of income and employment, it simply needs to provide subsidized housing at a rate at least twice as high as it currently is. This begins with preserving what already exists in terms of investing in rehabilitation and preservation of the existing subsidized stock. In particular, this includes carefully monitoring the project-based units that are approaching the end of their subsidy requirements and proactively seeking to preserve them in the affordable stock.

The source of the problem comes from the shortage of federal dollars targeted for housing subsidies.[15] This is not a problem for Baltimore to solve alone; the city already subsidizes a disproportionate number of poor families and indeed has one of the highest rates of subsidy in the nation.[16] Not only are state and federal dollars needed, but metropolitan coordination will also be necessary to remove the barriers to affordable housing outside of city limits.

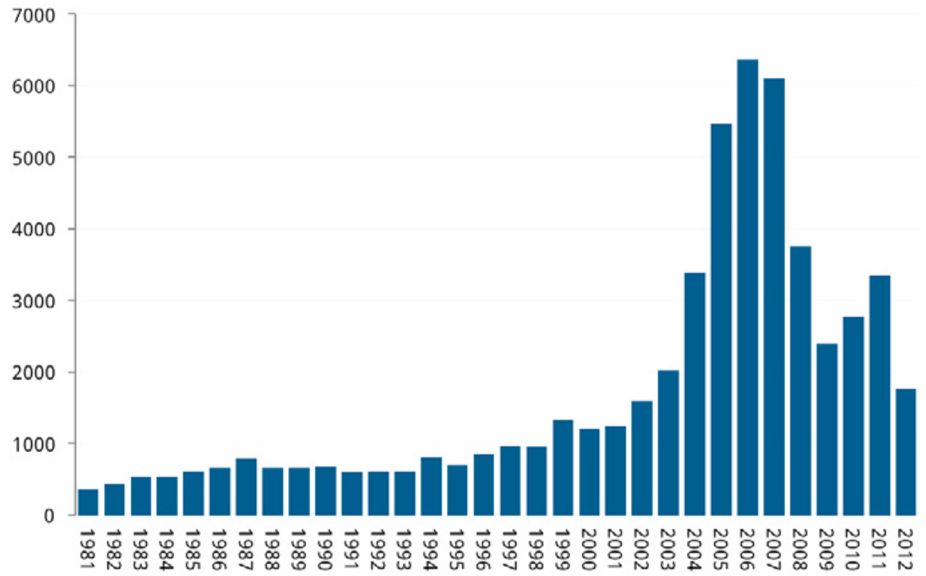
In terms of affordability alone, it matters little whether these subsidies occur on the demand side (in the form of vouchers and public housing) or on the supply side (in the form of tax credits and mortgage subsidies). However, careful attention must be paid to the balance of these investments. Unless carefully planned, place-based subsidies have the potential to concentrate families in high-poverty neighborhoods — as affordable housing developers look for areas with a surplus of cheap land and little community pushback. One would certainly not wish to reproduce the government-subsidized ghettos of the past, which the literature suggests has long-term negative consequences for children and

14 Garboden and Newman 2013

15 It is important to note that there are practically no subsidy programs available to renters earning above 60 percent of area median income (AMI).

16 Based on 2014 data from the Picture of Subsidized Households, Baltimore has approximately nine vouchers for every 100 rental units in the city — the highest rate in the country. Baltimore City's PHA also manages more total units of public housing than all U.S. cities except Philadelphia, Chicago, and New York.

Figure 3: Date of Most Recent Sale for Baltimore Rental Properties



Source: Real Property Sales Data 1984-2013

families.[17] But vouchers must be used cautiously as well. Given that landlords can decide whether or not to accept subsidized tenants,[18] there exists a perverse incentive for them to accept voucher tenants in less-desirable neighborhoods leading to a re-concentration of poverty.[19] And, of course, hard-to-house families with a number of needs often fail to utilize their vouchers, leading to a loss of subsidy and housing insecurity.[20]

The fact that neither program is a silver bullet for housing poor families in high-quality housing in mixed-income neighborhoods should not deter us from the fundamental issue — there is not enough of either.

The Rent Crisis: Any policy solution to the rent crisis depends, at least in part, on the source of the problem. There are many candidates, but the most dramatic feature of the Baltimore rental market appears to be its incredible turbulence over the last 10 years. As shown in Figure 3,[21] nearly 70 percent of rental properties were purchased since 2002 and a huge spike occurred at the height of the housing bubble. Although property turnover is generally a sign of a healthy housing market, the particulars of this pattern provide more cause for concern. First and foremost, any property turnover generally creates some form of debt service on a rental property, which landlords need to cover from rent. A landlord without a mortgage can theoretically profit from a property while offering low rents. Indeed, qualitative interviews conducted for another project suggest that the few landlords in Baltimore who can profit while offering rents below $600 per month are able to do so because they no longer have debt service. As a group of speculative investors entered the market, however, not only did low-end rental properties get renovated and mortgaged, but they were also purchased at the height of the price bubble. This means that today's renters are in many ways still paying for the sales spike. When the market collapsed, many investors

17 Chetty, Hendron, Katz 2015
18 Freeman 2012
19 Rosen 2014
20 Deluca, Garboden, Rosenblatt 2013
21 This analysis uses data from the Baltimore City rental registration dataset and state data on property sales. Both of these administrative data sources have limitations, but the trend is clear.

Upper Fells Point: The Loss of Affordable Rental Housing

Although it lacks the flashy waterfront condos of Canton or Harbor East, Upper Fells Point has shown similar levels of increasing affluence. Since 2000, median incomes have risen from $49,000 to $85,000. Nevertheless, nearly a quarter (23.7 percent) of households in the neighborhood are cost-burdened. Some of this is likely a function of inflated housing prices during the real estate bubble, but much of it falls on the neighborhood's renters, whose incomes increased far more modestly than homeowners (from $43,000 to $51,000). In contrast, rents shot up by 56 percent — from just under $600 in 2000 to $927 today, mostly as a result of property renovations. Put together, this means that a neighborhood that had traditionally provided rental housing at affordable rates is now increasingly out of reach for the types of working-class families that once thrived there.

were left holding properties, which they put on the rental market, driving up rents at a number of price points. The sad denouement is that this reinvestment in marginal and abandoned properties during the housing bubble, however incautious, is exactly the type of rehabilitation needed to increase the stock in many parts of the city. Unfortunately, the rents necessary to sustain such investment without public or nonprofit support mean that either the renovated housing will stretch the budgets of most Baltimore renters or that the new landlords will be pushed out of the market, catalyzing a new wave of abandonment.[22]

Of course, this process is not the entire story and many other factors play into housing affordability. Most of these are occurring at a national level and Baltimore is far from alone in the burdens experienced by its middle-income renters. One pervasive local theory is that the gap between the fair market rents paid for voucher units and the market rent in areas where voucher holders live are increasing rents throughout the mid-market. Despite strong economic theory that suggests that vouchers necessarily lead to price inflation, the extant data are ill-equipped to adjudicate the degree to which this is operating in Baltimore. What is apparent from interviews with Baltimore landlords[23] is that there are direct benefits to property owners able to attract and retain voucher tenants.[24] This, in turn, pushes the savvier and better-capitalized landlords into the voucher market resulting in a stratification of housing in some communities. Families lucky enough to have a housing voucher are able to find higher-quality housing than one might expect, but those who do not have a subsidy must struggle in a private rental market with fewer high-quality options.

In all these ways, recent turbulence has resulted in a rental market that is misaligned with the needs of Baltimore's renters. How can balance be achieved? I have touched on the need for more subsidies in the previous section, but these programs are generally

22 This is largely not a demand story. The percent of Baltimore families renting their homes has fluctuated only modestly from 50 percent in 2000, to 49 percent in 2007, to 54 percent today. This slight uptick in the wake of the foreclosure crisis may have had some impact on demand (and thus rent) in some neighborhoods, but not to the degree generally articulated by the press.

23 Over the last two years, a team of researchers from the Poverty and Inequality Research Lab (PIRL) at Johns Hopkins University has been conducting interviews with landlords throughout Baltimore.

24 Rosen 2014

targeted below the mid-market renters affected by the rent crisis. What can be done for them?

For some of these burdened families, it may be appropriate to transition into homeownership using limited equity and shared appreciation mechanisms, which can preserve affordability and avoid the perils of subprime lending that served to increase housing burdens for homeowners in the 2000s. But with anything, the first step is to preserve what's working rather than fix what's broken. While many Baltimore residents are cost-burdened, there are still many affordable apartments in the city. It is necessary to preserve affordable housing with expiring use restrictions to ensure that currently affordable units are not lost. Also, it is vital to identify the landlords and nonprofit groups who are offering quality housing to working- and middle-class renters at reasonable rates, and support them in this work. Qualitative interviews conducted with Baltimore's landlords suggest that most of those fitting these criteria are struggling. Most landlords in Baltimore are small "mom and pop" owners, with limited financing or expertise who could benefit from a wide variety of programs such as technical assistance, low-cost rehabilitation loans, professional management, and loan modification assistance. Once proven models have been determined, we can begin to expand into new areas, ideally unburdened by inflated housing costs, and perhaps help alleviate both affordability crises.

ABOUT THE AUTHOR

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APPENDIX: A NOTE ON METHODOLOGY

The data for this report come from two primary sources: the American Community Survey (ACS) and the American Housing Survey (AHS), both of which contain representative random samples of the Baltimore rental market (after weighting). Both have their strengths and weaknesses. The AHS contains a rich set of information about Baltimore's housing units and their occupants. However, it does not contain any spatial information on where the properties are located. The ACS, while containing fewer housing variables, allows us to see how patterns are distributed throughout the city's ~200 census tracts.

Throughout the report, I moved back and forth between the two surveys, as the statistics required. The two surveys provide roughly equivalent results citywide for variables common to both of them, specifically incomes and rents. They do not, however, match exactly. Thus, two tables reporting the same figure but using different data sources may not align. These small differences in no way impact the overall interpretation of the data.

This speaks to a second caution. Both of these sources use probability sampling to develop their estimates. Thus, as the level of specificity increases, the accuracy of the estimate decreases. The ACS, for example, is likely quite accurate about Baltimore City's median rent as a whole, but is less reliable about rents on four-bedroom apartments in a specific census tract. Similarly, the AHS becomes less reliable the more the data are sliced and cross-sliced. For the sake of legibility, I have not included confidence intervals or margins of error for each statistic, but I have attempted to remove any instances where the error is large enough to make the data unreliable. The reader is encouraged to not be overly concerned with specific point estimates but to focus instead on broader trends.

Finally, this report repeatedly relies on the "percent of income spent on housing" measure as an indicator of housing affordability, with greater than 30 percent being considered a housing-cost burden and greater than 50 percent a severe burden. This measure has been justly criticized by many researchers.[25] The main critiques are as follows:

1. **The Thresholds Have Not Been Empirically Verified:** How do we know that 30 percent is the appropriate amount of income to spend on housing (particularly given that the figure was adjusted up by HUD from 25 percent in 1981 for political reasons)?[26] If the price of housing rises and falls relative to other goods, why isn't the threshold adjusted accordingly?

2. **Housing Quality is Absent:** A certain amount of the housing a family consumes is designed to meet its basic needs, but families can also elect to spend more or less on housing based on their desire for housing compared to other goods. Unless housing quality is considered, it makes little sense to say that a family that chooses to shift some of its discretionary spending into housing is 'housing burdened,' whereas a family eating expensive food is not 'food burdened.'

3. **Differences Based on Income**: Because basic necessities such as food, clothing, and transportation require families to spend a fixed amount of their income, a housing burden means different things to families with different incomes. For example, a family of four making $10,000 and spending $2,999 in rent would not officially be living in unaffordable housing, but that expense will likely reduce the family's ability to fulfill other basic needs. Indeed, such a family would be burdened by any expenditure on housing. At the other end, a family of four making $350,000 per year is unlikely to be truly burdened by any amount of expenditure on housing costs — even if it were to spend half its income on housing, it would still be extremely well-off with the remainder.

This report nevertheless uses the conventional measure. In part, this is a concession to data limitations, but the conventional measure also has the advantages of being comparable to similar affordability reports and aligning the Department of Housing and Urban Development's programmatic thresholds. I highly doubt that any of the trends identified would change dramatically by using more sophisticated measures.

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25 Linneman and Megbolugbe 1992, Stone 2006, Gan and Hill 2008, Kutty 2005

26 Schwartz and Wilson 2007

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By Philip M.E. Garboden
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