ACCOUNTING FOR HOUSING NEEDS IN A HIGH RENT CITY:

Poverty Research by the New York City Center for Economic Opportunity

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I. OVERVIEW OF THE CEO POVERTY MEASURE

Measuring poverty requires two fundamental judgments. The first is where to draw the line between the poor and the rest of society; to decide, "how much income is just enough"? The second judgment is to decide, "just enough of what"? What resources should be counted as income to determine whether a family has attained the standard of living represented by the poverty line?

The current federal poverty measure's answers to these questions are sorely out of date. Its poverty threshold – the line between the poor and the non-poor – was developed in the mid-1960s. It rested on the belief that families typically spend one-third of their income on food. The cost of a minimally adequate diet was simply multiplied by three to establish the initial level of the threshold. Since that time, the base year poverty line has been adjusted annually by the growth in the Consumer Price Index.

Over four decades later, the official poverty threshold has little justification. It no longer reflects contemporary spending patterns; food now accounts for less than one-seventh of family expenditures, while housing is the largest item in the typical family's budget. The poverty line also ignores differences in the cost of living across the country, an issue of obvious relevance to measuring poverty in New York City. A final shortcoming of the threshold is that it is frozen in time. It only rises with the cost of living and thereby assumes that a standard of living that defined poverty in the mid-1960s remains appropriate despite advances in the nation's standard of living since that time.

The official measure's answer to "enough of what?" is also dated. The only family resource used to determine whether a family is poor is pre-tax cash. That includes wages, salaries, and some of what government does to help needy Americans, *if* it takes the form of cash assistance. Given the policies in place and data available in the mid-1960s, this was not an unreasonable choice. But today, much of what the government provides to low-income families takes the form of tax credits (such as the Earned Income Credit) and in-kind benefits (such as Food Stamps). If policymakers or the public want to know how these programs affect poverty, the official measure cannot provide an answer.

1.1 Adopting the National Academy of Sciences' Alternative

The poverty measure adopted by the New York City Center for Economic Opportunity (CEO) follows a set of recommendations that, at the request of Congress, were developed by the

National Academy of Sciences' (NAS) Panel on Poverty and Family Assistance.[6] The NAS-proposed method addresses the key weaknesses in the official methodology. It provides a more comprehensive definition of family resources, one that more fully captures what public policies do to support low-income families. It judges the adequacy of anti-poverty policies by comparing resources against poverty thresholds that are more appropriate to the living standards that prevail in early twenty-first century America.

The NAS Panel recommended that the poverty thresholds reflect family needs not only for food, but for clothing, shelter, and utilities as well. Specifically, the threshold is set to equal roughly 80 percent of median expenditures by two-adult, two-child families on this market basket of goods, plus "a little more" to account for other items necessary for personal care, household upkeep, and non-work-related transportation. The NAS also suggested that the thresholds be adjusted geographically to reflect differences in the cost of living across the U.S. The Panel proposed that these thresholds be updated each year by the change in median expenditures for the items that make up the threshold.

Along with a different poverty line, the NAS Panel recommended that a much more inclusive definition of resources be used to determine whether a family can meet its basic needs. In addition to pre-tax cash, the resource measure should account for payroll taxes and the net effect of income tax liabilities and credits, along with the cash-equivalent value of "near-cash" benefits for food and housing. The panel further suggested that resources be adjusted to reflect non-discretionary work-related expenses such as commuting costs and child care. Because what a family must spend to maintain its health is unavailable for purchasing other necessities, the Panel also proposed that medical out-of-pocket expenses be subtracted from income.

The NAS provided a conceptual framework. To adopt it for New York, CEO strived to create a measure that accounts for the particularities of the City's housing market. Housing is expensive in New York City, but the City is also a place where many households, especially low-income households, are protected from the high cost of housing by an extensive array of public programs. As we describe below, CEO accounts for the high cost of housing in New York City relative to the nation as a whole on the threshold side of the poverty measure. We account for

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[6] National Research Council, Panel on Poverty and Family Assistance. *Measuring Poverty: A New Approach.* Constance F. Citro and Robert T. Michael, eds. Washington, DC: National Academy Press, 1995.

differences in spending needs for housing between households in the City on the poverty measure's resource side by making an adjustment based on their housing status.[7]

1.2 The CEO Poverty Threshold

For the poverty line, we rely on the U.S.-wide thresholds that have been calculated from the Bureau of Labor Statistics' Consumer Expenditure Survey and have been used by the Census Bureau for its research on NAS-style poverty measures.[8] In 2008, the NAS threshold for a two-adult, two-child family equaled $24,775.[9] We then adjust the housing share of this threshold (equal to 44 percent) to account for the relatively high cost of housing in New York City using the ratio of the New York City to U.S.-wide Fair Market Rent for a two-bedroom apartment. Our 2008 poverty line for this family comes to $30,419, a difference of 22.8 percent. The adjustment "equivalizes" income spatially, indicating that a family in New York City would need $1.23 to obtain the equivalent standard of living that a family can obtain for $1.00, on average, across the U.S. We refer to this New York City-specific threshold as the CEO poverty threshold.[10]

1.3 CEO Income

To measure the resources available to a family to meet its needs, our poverty measure employs the Public Use Micro Sample from the Census Bureau's American Community Survey (ACS) as its principal data set. The decision to rely on the ACS has been the project's central challenge. The advantages of this survey for local poverty measurement are obvious. The ACS is designed to provide measures of socio-economic conditions on an annual basis in states and localities. It offers a robust sample for New York City (roughly 25,000 households) and contains essential information about household composition, family relationships, and cash income from a variety of sources. But, as noted earlier, the NAS-recommended poverty measure greatly expands the scope of resources that must be measured in order to determine whether a family is poor.

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[7] In this paper we use "housing" as a generic term that covers all expenses related to the acquisition of shelter and utilities.

[8] The Census Bureau's work is available at: http://www.census.gov/hhes/www/povmeas/nas.html.

[9] Several versions of the NAS threshold are available at: http:// www.census.gov/ hhes/ www/ povmeas / web_tab5_povertythres2008.xls. We use the Consumer Expenditure Survey-updated threshold that excludes medical care and mortgage principal payments.

[10] The CEO threshold is 39.3 percent higher than the corresponding official poverty line of $21,834. Roughly two-thirds of the difference between the official and CEO threshold is due to the housing-based geographic adjustment to the U.S.-wide NAS threshold.

Unfortunately, the ACS provides only some of the information needed to estimate these additional resources. Our income measure begins with the pre-tax cash variables available in the ACS, and then accounts for the effect of taxation; adds the cash-equivalent value of nutritional subsidies (Food Stamps and the School Lunch Program); adjusts for housing status (to account for differences in spending needs for housing); deducts work-related expenses (commuting and childcare); and reduces income by what families are spending out-of-pocket for their medical care.[11] Although this income measure consists of reductions as well as additions, CEO income is higher for families in the lower tail of the income distribution than the official resource measure of pre-tax income. In 2008, CEO income at the 20th percentile equaled $29,138. Pre-tax cash income at the 20th percentile was $25,149.

CEO's March 2010 report estimated that the 2008 poverty rate for New York City was 22.0 percent. Among the additions we made to pre-tax cash in our income measure, we found that our adjustment for housing status had the largest poverty-reducing effect. Had we not adjusted incomes for differences in spending needs for housing, the City poverty rate would have been 27.7 percent, a difference of 5.7 percentage points. This exceeded the poverty-reducing effect of taxation net of tax credits (1.4 percentage points) and in-kind nutritional assistance programs (2.2 percentage points). The large impact that the housing adjustment makes on the poverty rate reflects an important feature of the City's housing market; although rents are high, many renters, particularly low-income renters, do not face housing costs that are determined in the unregulated sector of the housing market.

1.4 Work Presented in this Paper

Given the importance of housing costs in the CEO poverty threshold and the large effect that our housing status adjustment has on family resources and the poverty rate, CEO has explored whether we could improve the accuracy of our assignment of housing status to households in the New York City ACS sample. The work presented in this paper reflects revisions to the strategy that was used in our August 2008 and March 2010 reports. The improved method more accurately assigns housing status across the entire population and it ably reproduces the distribution of housing status categories by demographic variables (such as race or family composition) that are important to understanding poverty.

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[11] A more detailed description can be found in: *The CEO Poverty Measure, 2005 – 2008: A Working Paper by the New York City Center for Economic Opportunity*. March 2010.

This paper proceeds as follows. We describe CEO's conceptual approach to housing and contrast it with the approach that that will be taken by the new, federal, Supplemental Poverty Measure (SPM) that the U.S. Census Bureau is planning to release in the Fall of 2011. Next we describe how we implement our new housing adjustment method and present the estimates it creates for housing status and expenditures, the housing adjustment, and poverty rates. The final section returns to some of the larger conceptual issues raised by our approach to housing and compares how different ways of adjusting income for housing status affect the measurement of poverty in New York City.

II. Adjusting for Housing Status

Any credible method for measuring poverty in New York must account for the high cost of housing in the City. As described above, CEO follows recommendations made by the NAS and subsequent Census Bureau research, by adjusting the U.S.-wide NAS threshold for the difference between housing costs in the City and the nation. But measuring poverty in New York (and the nation) must also account for the fact that what families need to pay for housing of similar size and quality varies widely. Homeowners who have paid off their mortgages have lower spending needs for housing than do those who are still making mortgage payments. Renters living in public housing or who are receiving a Section 8 or a similar housing subsidy have dramatically lower housing costs than families who pay market rate rents. Tenants in rent-regulated apartments, a considerable share of renter households in New York City, also receive some protection from the high cost of housing.

2.1 The Federal Supplemental Poverty Measure

If families in different housing circumstances do not require the same income to meet their housing needs, an adjustment is needed to create equivalence between their incomes. The new, federal Supplemental Poverty Measure (SPM) accounts for these differences in two ways. First, it will establish separate thresholds for homeowners with a mortgage, homeowners without a mortgage, and renters. Second, the SPM will account for the value of means-tested rental assistance by making an addition to family resources for subsidy-receiving renters.[12]

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[12] Plans for the new federal measure are described in: http://www.census.gov/hhes/www/povmeas/ SPM_TWGObservations.pdf.

The decision to create three separate thresholds reflects an important conceptual judgment: differences in spending needs between families in these three different housing situations can be adequately captured by creating an "average" that applies uniformly within each housing category.[13] This approach is analogous to the way the SPM (and CEO) poverty thresholds are geographically adjusted or varied by family size and composition.

This method differs from adjustments that are made to the income side of the poverty measure. These are typically based on estimates of what each family is spending on items such as childcare or out-of-pocket medical spending. The SPM's method for accounting for the value of housing subsidies follows the latter approach by adding to family income the difference between what a family would be paying for their housing and what it is actually paying.

2.2 The CEO Housing Status Adjustment

The CEO poverty measure accounts for all within-City differences in families' housing-related spending needs on the resource side. Households living in "non-market rate" housing units (participants in means-tested housing assistance programs, tenants in rent-regulated apartments, tenants who pay no rent and home owners free and clear of a mortgage) all receive an addition to their income – a housing status adjustment – equal to the difference between the housing share of their poverty threshold and what they pay out-of-pocket for these items. This approach places a dollar value on the benefits of residence in non-market rate housing. If housing-related expenditures are less than the housing portion of the threshold, the difference represents funds that are available to the family to meet their non-housing needs.

(1). Housing Status Adjustment =

Housing Share of the Poverty Threshold – the maximum of (Out-of-Pocket Housing Expenditures, 0)

The adjustment is bounded on the upside; because housing expenditures cannot be negative, the housing adjustment cannot exceed the housing share of the threshold. It is also bounded on the downside; if housing expenditures exceed the housing threshold, the adjustment is set to zero.

As with our other adjustments to income, CEO's method for housing estimates each adjustment-receiving household's expenditures. This method seems particularly well-suited for New York City, where distinctions between the spending needs of different groups of renters is particularly important. In 2008, roughly two-thirds (67.1 percent) of the City's households

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[13] The SPM threshold will also be geographically adjusted to reflect differences in housing costs.

rented their housing and a wide and far-reaching variety of local housing affordability programs played an important role in the housing market; only a third (33.6 percent) of renter households were residing in units that were outside some regulatory structure.[14] CEO's method is designed to capture this variation.

CEO's approach also reflects the availability of data about out-of-pocket housing expenditures.[15] Housing expenditures are measured in the ACS and the, unique-to-New York City, Housing and Vacancy Survey (HVS). The ACS identifies whether a household is renting or owns its home and, among homeowners, it distinguishes between those who are paying off a mortgage and those who own their home free and clear. The ACS also provides monthly homeowner costs (the sum of mortgage payments, if any, property taxes, insurance, and utility payments).[16] Thus, the survey provides all the data needed for the CEO adjustment for homeowners who do not have a mortgage.

But this is not true for renters. There are two rent variables in the ACS, contract rent and gross rent. Contract rent is the rent received each month by the landlord. Gross rent is contract rent plus utility payments.[17] These two variables do not represent renter out-of pocket-expenditures for housing accurately, *if* the household is participating in a rent subsidy program.[18] Moreover, the ACS does not provide any information as to whether a renter household resides in a public housing development, receives a means-tested rental subsidy, or lives in a rent-regulated apartment.

What is required, then, is a method for assigning a housing program status to renter households and estimating their out-of-pocket spending. CEO addresses these needs by matching renter households in the ACS to renter households in the HVS. The New York City Housing and Vacancy Survey is a survey conducted every three years by the U.S. Census Bureau. It provides a sample of nearly 18,000 households in the City and collects detailed

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[14] CEO tabulations from the 2008 New York City Housing and Vacancy Survey.
[15] These expenditures are not reported in the data set that will serve as the basis of the SPM, the Census Bureau's Current Population Survey.
[16] The ACS variable, SMOCP, "Selected Monthly Owner Costs," is the sum of payments for mortgages and condominium fees (if any); real estate taxes; fire, hazard, and flood insurance on the property; and utilities and fuels.
[17] ACS Subject Definitions, 2008.
[18] Although ACS respondents are instructed to provide the rent received by the landlord, it is questionable whether subsidy recipients consistently include the portion of the rent they do not pay in their answers. "Rent: A story of misreporting?" Julie Parker. U.S. Census Bureau. N.D.

information on their demographic as well as housing-related characteristics.[19] Most important for creating the CEO housing adjustment, it identifies renters' housing status and provides data on what renters, including those who receive a rent subsidy, actually pay out-of-pocket for their housing. As described below, CEO brings information from the HVS into the ACS through a household-to-household match of records in the two data files.

2.3 Revising the CEO Methodology for Assigning Housing Status

The key issue we have explored in our work to improve our imputation of housing status and estimation of housing expenditures is the extent to which we should use information from the HVS or ACS when both surveys provide data on the same household characteristic. We concluded that our housing adjustment should maximize its use of the housing-related data that is contained in the ACS. In prior work, we relied on the HVS to assign housing status to all the ACS households, including the distinction between homeowners who do or do not hold a mortgage.[20] In this paper we only use the HVS households that are classified as "renters who pay rent" to assign housing status to the same group of households in the ACS. All other households retain their ACS-derived housing status. With the sole exception of renters whose rent is partially paid by a housing subsidy, we use ACS variables that report housing expenditures.

We believe that this approach creates more consistency between the housing expenditure variables and the other ACS-based income variables we use in the poverty measure. This, for example, would reduce the probability that a household with relatively high income would be erroneously assumed to be paying relatively low rents due to a "bad" HVS to ACS match. It also minimizes the problem of annually updating housing and utility expenditure estimates between HVS survey years. The error that this new strategy is open to is that there might not be as close a correspondence between the imputed housing status and ACS-reported rents as there would be between the housing status and rent data that would hold if both came from the HVS. We minimize this possibility by using contract rents reported in both surveys as one of our matching criteria.

The key technical improvement we have made is the manner in which we match households in the New York City Housing and Vacancy Survey to households in the ACS. We

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[19] Descriptive material about the HVS can be found at: http://www.census.gov/hhes/www/housing/nychvs/nychvs.html

[20] Our former method is described in our 2008 and 2010 working papers.

use several different matching criteria and relax conditions for making matches in smaller increments than in our earlier work. We also program the matching routine so that it maximizes the number of different households in the HVS that are used as donors.[21]

2.4 Creating the Data

Renter households in the two surveys are matched if they share the following characteristics:

1. Neighborhood[22]
2. Race/Ethnicity of the householder (Non-Hispanic White, Non-Hispanic Black, Hispanic, Non Hispanic Other Race)
3. Whether the householder was 65 or older
4. Equivalized household income[23] as a ranking based on the distribution. (In the new program, income was banded into septiles, sextiles, quintiles and quartiles, calculated for each respective dataset.)
5. Contract rent as a ranking based on the distribution (Contract rent was also ranked based on the distribution and banded similarly to equivalized household income)
6. Number of bedrooms in household (studio, 1 through 4+)
7. Household composition (Husband and wife with and without children, male and female-headed single households with and without children, households of unrelated people, and single person households)
8. Whether or not the household had wage income

We begin by matching on all these characteristics. When all potential matches have been made, we incrementally relax the matching criteria.[24]

At each step all the HVS records are evaluated to find matches to the ACS record on a given set of criteria. After all the potential donor records have been evaluated, a subset of all matching donor records is made. The subset is then sorted in ascending order by a variable in the donor file which keeps track of how many times each donor record has been selected in prior matches. The first sorted donor record in the subset – that is, the record that has been used the

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[21] For a detailed description of the technical changes see, "Technical Note: Improving the Housing Status Imputation for the CEO Poverty Measure," available from CEO upon request.
[22] Neighborhoods are identified in the ACS as Public Use Micro Sample Areas. In the HVS they are referred to as Sub-Borough areas. Both are patterned after the City's Community Districts and are, therefore, nearly identical.
[23] Equivalized household income is household income divided by the square root of the number of persons in the household.
[24] The matching program is more fully detailed in CEO's "Technical Note."

least in prior matches – is chosen as the match and its donation counter variable is incremented by one. Picking the potential donor record with the lowest number of donations helps ensure that a representative distribution of HVS records is used to donate values.

2.5 The Resulting Match

Below we summarize our results by detailed housing program status. This is a CEO-created categorical scheme derived from two kinds of variables found in the HVS, Control Status and participation in at least one of the several tenant-based subsidy programs that are available to low-income renters in New York City. Along with these we use variables that are common to the ACS and HVS: renter with no rent, homeowner free and clear of a mortgage, and homeowner with a mortgage. The categories are summarized below.

Table One

Definition of CEO Housing Program Status Categories

Renter - Public Housing	Living in a building operated by NYCHA.[1]
Renter - Mitchell-Lama	Living in Mitchell-Lama rental housing.[2]
Renter - Tenant-Based Subsidy	Receiving Federal Section 8, Public Assistance Shelter Allowance, Senior Citizen Rent Increase Exemption, "Jiggets" rent supplement program, Employee Incentive Housing Program, Work Advantage Housing program for the homeless or some other federal, state or city subsidy program.[3]
Renter – Stabilized/Controlled	Living in an apartment governed by NYC rent control or rent stabilization law.
Renter - Other Regulated	Living in an apartment under article 4 or 5, HUD or Loft Board regulated building or building owned by the City in "In Rem" status.[3]
Renter - Market Rate	Living in a rental apartment that is neither public housing or stabilized/controlled and whose occupants do not receive a subsidy.
Renter-No Cash Rent	Does not pay cash rent to occupy apartment.
Owner - Owned Free & Clear	Living in a housing unit that is owned with no mortgage.
Owner - Paying Mortgage	Living in a housing unit that has a mortgage.
Owner - No Mortgage Status Reported	There is no mortgage status reported in the HVS.

Source: New York City Housing and Vacancy Survey
Note: Tenant-based subsidy status takes precedence over all other housing status. For example, if someone lives in public housing and also receives a subsidy, they are categorized as receiving tenant-based subsidies.
1. New York City Housing Authority.
2. Mitchell-Lama is public housing for "middle income" families owned and operated by New York State and City.
3. See the HVS technical documentation for a description of these programs.

Table two compares the distribution of renter households by housing program status in the HVS to the imputed distribution in the ACS. The procedure ably reproduces the distribution of housing status found in the HVS across the ACS sample. For example, 19.3 percent of the HVS sample of renter households is in the important-for-measuring-poverty statuses of either public housing (7.7 percent) or tenant-based subsidy (11.6 percent). The corresponding proportion for the ACS is 19.6 percent, with 7.3 percent in public housing and 12.3 percent in the tenant-based subsidy category. This is a considerable improvement over our prior method, which had underestimated the share of renters residing in public housing and recipients of rent subsidies, by 3.0 percentage points and 1.6 percentage points, respectively.[25]

Table Two
Comparison Between Renters in 2008 HVS and 2008 ACS

	2008 HVS		2008 ACS	
	Frequency	Percent	Frequency	Percent
Renter - Public Housing	158,304	7.7	144,867	7.3
Renter – Mitchell-Lama Rental	40,164	2.0	34,537	1.7
Renter - Tenant-Based Subsidy	238,391	11.6	242,805	12.3
Renter - Stabilized/Controlled	884,845	43.2	852,661	43.2
Renter - Other Regulated	37,592	1.8	71,700	3.6
Renter - Market Rate	687,254	33.6	628,601	31.8
Total	2,046,551	100.0	1,975,171	100.0

Sources: 2008 New York City Housing and Vacancy Survey & 2008 American Community Survey
Public Use Micro Sample as augmented by CEO.

Understanding poverty rates across demographic groups in the City is a priority for CEO. Thus we are concerned about how well our matching procedure reproduces housing program status patterns by key demographic variables. The next three tables report housing program status by different characteristics of renter households in the 2008 HVS and the imputed values for renter households in the 2008 ACS. Table three provides results by the race/ethnicity of the head of household. Table four provides results by borough. Table five reports results by the composition of the household. In each of the tables the numbers across the rows are the share that each demographic (or geographic) group represents within the housing status category. For example, table three indicates that in the HVS 6.7 percent of the household heads in public

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[25] CEO "Technical Memo."

housing are Non-Hispanic Whites. The corresponding proportion in the ACS is 5.6 percent. The shares sum to 100 percent.

   While it is tedious to summarize all the information contained in them, careful inspection of the three tables reveals that with the sole exception of the distribution of those living in public housing and Mitchell-Lama rentals by race/ethnicity, the imputation preserves the ranking of the proportions across groups found in the HVS. For example, households with a Hispanic head comprise the largest race/ethnic group among tenant-based subsidy holders in the HVS. This is reproduced in the ACS, (see table three). Table four indicates the considerable extent to which the imputation captures the distribution of housing statuses by borough. Table five shows that the imputation reproduces the pattern of housing statuses by household composition.

Table Three

Comparison of Renter Households, By Race/Ethnicity

2008 HVS

	NH White	NH Black	Hispanic, Any Race	NH Asian/Other	Status Total
Public Housing	6.7	47.2	42.9	3.2	100.0
Mitchell Lama Rental	34.4	41.3	15.1	9.2	100.0
Tenant-Based Subsidy	20.8	31.7	42.5	5.0	100.0
Stabilized/Controlled	38.9	21.5	29.7	9.7	100.0
Other Regulated	20.2	25.4	43.0	11.5	100.0
Market Rate	47.5	19.5	19.4	13.6	100.0
Group Total	36.8	24.5	28.8	10.0	100.0

2008 ACS

	NH White	NH Black	Hispanic, Any Race	NH Asian/Other	Status Total
Public Housing	5.6	40.3	50.8	3.2	100.0
Mitchell Lama Rental	35.5	31.9	20.5	12.0	100.0
Tenant-Based Subsidy	19.1	31.4	43.7	5.8	100.0
Stabilized/Controlled	38.8	20.3	29.7	11.2	100.0
Other Regulated	18.1	33.6	40.9	7.4	100.0
Market Rate	45.7	20.3	20.2	13.8	100.0
Group Total	35.3	23.8	30.2	10.7	100.0

Sources: 2008 New York City Housing and Vacancy Survey & 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

Table Four

Comparison of Renter Households, by Borough

2008 HVS

	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
Public Housing	23.5	32.5	33.3	9.0	1.7	100.0
Mitchell Lama Rental	22.3	32.5	26.4	17.0	1.9	100.0
Tenant-Based Subsidy	33.4	31.0	22.5	11.3	1.8	100.0
Stabilized/Controlled	18.8	27.8	31.0	21.5	0.8	100.0
Other Regulated	29.3	28.1	32.2	9.0	1.3	100.0
Market Rate	9.1	35.6	24.0	26.2	5.1	100.0
Group Total	17.9	31.3	27.8	20.6	2.5	100.0

2008 ACS

	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
Public Housing	25.4	30.7	31.5	10.2	2.2	100.0
Mitchell Lama Rental	18.7	29.2	28.9	18.7	4.5	100.0
Tenant-Based Subsidy	32.8	32.5	21.6	10.5	2.5	100.0
Stabilized/Controlled	19.4	26.1	32.2	22.8	0.6	100.0
Other Regulated	18.4	23.7	49.0	6.8	2.2	100.0
Market Rate	9.8	36.0	22.8	26.8	4.5	100.0
Group Total	18.4	30.3	28.4	20.6	2.3	100.0

Sources: 2008 New York City Housing and Vacancy Survey & 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

Table Five

Comparison of Renter Households, by Household Composition

2008 HVS

	Husband and Wife with Child	Husband and Wife, No Child	Male Headed with Child	Female Headed with Child	Male Headed without Child	Female Headed without Child	Living Alone	Status Total
Public Housing	7.9	10.2	2.7	25.8	2.6	11.0	39.8	100.0
Mitchell Lama Rental	8.2	19.9	1.0	14.3	3.8	5.5	47.3	100.0
Tenant-Based Subsidy	10.9	6.9	2.1	28.8	3.8	9.1	38.4	100.0
Stabilized/Controlled	14.7	18.0	1.9	8.7	7.5	8.7	40.5	100.0
Other Regulated	6.0	15.9	0.8	11.7	3.6	6.8	55.2	100.0
Market Rate	19.3	17.9	1.9	8.7	11.3	10.4	30.5	100.0
Group Total	15.0	16.1	2.0	12.5	7.8	9.4	37.2	100.0

2008 ACS

	Husband and Wife with Child	Husband and Wife, No Child	Male Headed with Child	Female Headed with Child	Male Headed without Child	Female Headed without Child	Living Alone	Status Total
Public Housing	7.8	7.6	2.6	26.8	3.8	14.7	36.7	100.0
Mitchell Lama Rental	8.4	20.2	2.2	12.2	3.3	9.6	44.2	100.0
Tenant-Based Subsidy	9.3	8.5	3.7	32.7	4.1	8.0	33.7	100.0
Stabilized/Controlled	13.4	13.7	3.0	10.9	7.6	9.7	41.6	100.0
Other Regulated	6.1	11.8	1.4	14.2	4.1	9.0	53.4	100.0
Market Rate	17.2	15.1	2.8	11.3	9.9	11.7	32.1	100.0
Group Total	13.3	13.1	2.9	15.0	7.4	10.5	37.7	100.0

Sources: 2008 New York City Housing and Vacancy Survey & 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

Tables three through five focus on renters because they are the only group that is matched by our revised method. Table six compares the distributions of the households that derive their status directly from the ACS variables with the distribution found in the HVS. Our primary concern here is the extent to which the ACS and HVS provide similar proportions of households who own their homes free and clear of a mortgage; 34.0 percent of the HVS households in the table have this housing status. The corresponding proportion in the ACS is 35.3 percent.

Table Six

Comparison between Non-Matched Housing Status Categories
2008 HVS and 2008 ACS

	2008 HVS		2008 ACS	
	Frequency	Percent of Non-Matched Households	Frequency	Percent of Non-Matched Households
Renter-No Cash Rent	35,402	3.4	50,449	4.7
Owner - Owned Free & Clear	359,039	34.0	381,626	35.3
Owner - Paying Mortgage	654,100	62.0	648,031	60.0
Owner – No Mortgage Status Reported	6,206	0.6		
Total Non-imputed Households	1,054,747	100.0	1,080,106	100.0

Source: 2008 New York City Housing and Vacancy Survey, 2008 American Community Survey as augmented by CEO.

2.6 Housing Expenditures and Housing Status Adjustment

Having matched HVS to ACS household records, the next step in the housing adjustment is to compute households' out-of-pocket expenditures for housing (HOOP). As noted above, this information is provided in the ACS for homeowners and non-subsidy-recipient renter households but not for those that do receive subsidies. Therefore, we use the ACS expenditure data to calculate HOOP for every household except those identified as tenant-based subsidy recipients.

In the HVS, utility payments are not included in the tenant's out-of-pocket rent variable. We estimate utilities by taking the difference between the gross rent and contract rent variables. This is added to out-of-pocket rent to create HOOP for tenant-based subsidy recipients.[26]

Below is a summary of all the ACS and HVS variables used to calculate a household's out-of-pocket housing expenditures:

- Owner Households
    - ACS Selected Monthly Owner Costs– Sum of payments for mortgages, deed of trust, contracts to purchase, taxes, insurance, utilities and other owner fees.
- Renter Households (not including renters not paying cash rent)

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[26] In the 2008 HVS data is missing for about 2.0 percent of renters who report receipt of a subsidy. For these households, we use Monthly Gross Rent.

- ACS Gross Rent – Contract rent plus the estimated average monthly cost of utilities if paid by the renter.
- HVS Out-of-Pocket Rent – The monthly out-of-pocket payment made for rent by renter of unit.
- HVS Monthly Contract Rent – Rent paid to the landlord for unit, including any subsidies paid directly to landlord.
- HVS Monthly Gross Rent – Total of Monthly Contract Rent plus any utilities paid by renter for unit.
- No Cash Renter Households
  - Sum of ACS electricity; other fuel costs; gas and water utility payments.

Table seven compares median annual out-of-pocket expenditures for HOOP by housing status in the 2008 HVS and the 2008 ACS. HOOP is highest for households in the market rate categories. As expected, housing expenditures are dramatically lower in the categories that protect low-income renters, such as public housing or tenant-based subsidy recipients. HOOP for the large group of renters who are in rent stabilized or controlled units lies between these two extremes. As a result of their relatively small HOOP expenditures, renters who are able to participate in means-tested housing programs receive the largest increase in their incomes from the status adjustment.

Table Seven

Annual Out-of-Pocket Expenditures and Housing Adjustment by Housing Status for 2008 HVS and 2008 ACS

	Renter							Owner	
	Public Housing	Mitchell-Lama	Tenant-Based Subsidy	Stabilized or Controlled	Other Regulated	Market Rate	Not Paying Cash Rent	Owned Free & Clear[3,4]	Paying Mortgage[3,4]
2008 HVS									
Median Out-of-pocket Expenditures for Housing	5,100	9,840	4,284	12,360	6,000	16,260	540	8,650	18,260
Median Value of Housing Adjustment	5,405	799	6,353	0 [1]	4,181	N.A.	10,819	2,093	N.A
2008 ACS									
Median Out-of-pocket Expenditures for Housing	5,640	10,080	3,960	12,360	6,240	16,080	840	8,448	29,436
Median Value of Housing Adjustment	5,339	442	7,135	0 [2]	4,193	N.A.	8,659	2,873	N.A.

Source: Tabulated from American Community Survey Public Use Micro Sample as augmented by CEO.

Notes: N.A. - No Adjustment Applicable.
[1] 41.1 percent of Stabilized/Controlled units in the HVS have some housing adjustment. For those with a housing adjustment, the median was $3,356.
[2] 42.2 percent of Stabilized/Controlled units in the ACS have some housing adjustment. For those with a housing adjustment, the median was $4,193.
[3] In the HVS 2,499 Owner Free and Clear and 2,799 Owner Paying Mortgage have no reported costs. They were removed from the calculations.
[4] Many of the variables used to calculate the HVS owner's cost are top-coded, so the actual median value is most likely higher than these values.
Sources: Tabulated from 2008 Housing and Vacancy Survey and the 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

2.7 Housing Status and Poverty

CEO's revised housing status adjustment has an even more dramatic effect on the New York City poverty rate than our former approach. Table eight illustrates the effects of the housing adjustment on the poverty rate for New York City as a whole, as well as for each of the different housing statuses that received a housing adjustment.[27] The column labeled "Poverty Rate without Housing Adjustment" reports the poverty rates based on every element of CEO income except the housing adjustment. City-wide, this poverty rate equals 27.7 percent. The table then compares this poverty rate to the poverty rate that includes the housing adjustment to income. The poverty rate falls, dramatically, to 20.2 percent. Our prior method produced a poverty rate of 22.0 percent. The increase in the poverty-reducing impact of the housing adjustment is a result of two effects. First, a larger share of the City's households is now assigned to groups that receive a housing status adjustment (58.2 percent compared to 51.8 percent). Second, the change in the magnitude of the difference between the pre- and post-adjustment poverty rates within each affected category.[28]

Table Eight
Effect of Housing Status Adjustment on Poverty Rates, 2008
By Housing Status

	Poverty Rate without Housing Adjustment	Poverty Rate based on Total CEO Income	Difference
Total New York City	27.7	20.2	-7.5
Renter - Public Housing	62.7	37.3	-25.5
Renter - Mitchell-Lama	30.3	20.6	-9.7
Renter - Tenant-Based Subsidy	67.3	31.6	-35.8
Renter - Stabilized/Controlled	31.9	24.3	-7.6
Renter - Other Regulated	54.8	33.9	-20.9
Renter - No Cash Rent	30.1	10.9	-19.2
Owner - Free & Clear	15.5	10.4	-5.1

Note: Poverty rates are computed by prorating the household level housing adjustment across the poverty units within each household.
Source: Tabulated from 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

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[27] The poverty rates reported in tables eight and nine are for individuals by their housing status.
[28] See "CEO Technical Memo" for details.

The declines in the poverty rates across the status categories are consistent with the pattern in table seven. The magnitude of the difference between the pre- and post-adjustment poverty rates is largest in the categories with lowest out-of-pocket housing expenditures and the largest housing status adjustment. Thus the poverty rate for residents of public housing falls by 25.5 percentage points and plunges by 35.8 percentage points for recipients of tenant-based subsidies.

III. Alternative Methodologies for Applying the Housing Status Adjustment

Given the available data, CEO could have taken a variety of conceptual approaches to applying the housing status adjustment. Here we present some alternatives, which vary the adjustment along two dimensions. First, we explore the effect of permitting negative adjustments to income in instances where housing expenditures exceed the housing portion of the threshold. Second, we consider the effect of applying the housing adjustment to all households regardless of their housing status. The varying approaches we discuss are not technical in nature; they rest on judgments about the purpose of the housing status adjustment and goal of the CEO poverty measure.

3.1 To Cap or Not to Cap?

CEO's income adjustment is capped at zero. If a household's housing spending exceeds the housing share of its threshold its income is not adjusted downward. The case for prohibiting negative adjustments is made in CEO's 2010 report. We argued that with the geographic adjustment, the housing share of the poverty threshold was sufficient to account for the high cost of market-rate rental units and represented a level of housing need that was appropriate for a measure of poverty. If households were spending more than the threshold, we reasoned that this was discretionary, because cheaper housing of adequate quality was available. In this respect, we treat housing expenditures as we do childcare. CEO deducts childcare expenses up to the level at which they equal the earnings of the lowest earning parent. Spending over that limit is deemed to be discretionary and not an unavoidable cost. Likewise, we judged that there are some levels of housing spending that need not be accounted for on the income side of the poverty measure.

19

We found support for this judgment in local housing expenditure data. We used the 2008 New York City Housing and Vacancy Survey to compute gross rents paid by households composed of two adults and two children. In order to gauge the cost of what would be available to apartment seekers we restricted our estimate to households living in market rate apartments that had moved into their units since 2000. We controlled for size by limiting our estimate to two and three bedroom apartments. (This number corresponds to the regulations in HUD's Section 8 voucher program). For these households median annual gross rents came to $16,320.[29] This is just $236 below the housing share of the threshold for these families, of $16,556.

Many New York City households spend more for housing than the housing share of their poverty threshold. But they have sufficient income so that this "excess" spending (if counted) would not place them below the poverty line. This, we will see, is not true for all households. There are instances in which households' high housing expenditures would place them below the poverty line, if this spending was subtracted from their limited income. CEO judged that this excess was discretionary, representing, for example, a choice to live in a high amenity, high rent neighborhood that should not be accounted for in a poverty measure.

However, this excess spending can also reflect the difficulty that households face in adjusting their housing expenditures to unanticipated changes in income. Households cannot as readily downsize their housing costs as they can for items that are purchased on a daily or weekly basis. They are (for some extended period) locked into mortgages and leases. If, due to a lost job or the dissolution of a family, they find themselves unable to pay for their housing without jeopardizing their ability to meet their other basic needs, shouldn't the poverty measure account for this? This is an especially salient question at a time when selling a home has become difficult.

The question suggests that housing out-of-pocket (HOOP) expenditures should be treated like medical out-of-pocket (MOOP) spending. CEO considers any level of MOOP expenditure as if it were non-discretionary; there is no cap. This is partially because we lack the data necessary to make any judgment about whether a family is overspending on its medical care, given its needs. But it is also because it is very difficult for families to price shop for the items in MOOP. The choice to opt for cheaper forms of care can often mean opting for a level of care that endangers families' health.

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[29] CEO tabulation from the 2008 New York City Housing and Vacancy Survey.

3.2 Selective or Universal Adjustment?

Another way to alter our approach to the housing status adjustment would be to apply it to all households. The case for the selective adjustment CEO has made is that it furthers an important goal of our poverty measure; to identify program effects. As we have seen, the housing programs in New York City have far-reaching effects on housing expenditures. Differences in these expenditures that arise from other circumstances or choices (aside from ownership free and clear of a mortgage) should not affect a family's poverty status. Families of similar composition and income spend varying shares of their budgets on food, but this is not a difference that needs to be accounted for in a poverty measure. What does need to accounted for is the increased capacity of families to meet their nutritional needs if they are receiving Food Stamps.

The rationale for a universal approach is that differences in households' spending needs vary not only by their housing status, but by other factors such as when (or where) they leased their apartment or purchased their home. Two mortgage-holding households, for example, may have very different spending needs for housing of similar size and quality, because they bought their homes at different times. Shouldn't differences like these be accounted for?

3.3 Making HOOP like MOOP

Conceptually, universalizing the adjustment would change it from one for housing status to a net housing cost adjustment. If the cap on excess spending was to be removed and the adjustment was applied to all households, CEO would have created a very different poverty measure. This can be illustrated with a few algebraic statements. With our current approach a family that receives a housing status adjustment is categorized as poor if:

(1). The poverty threshold > All other income + maximum of (the housing share of the threshold *minus* HOOP, 0).

Removing the cap would change this to:

(2). The poverty threshold > All other income + (the housing share of the threshold *minus* HOOP).

Universalizing the adjustment does not change the equation; it just becomes applicable to all families. But notice that the poverty threshold (on the left side of the inequality) can be expressed as the sum of the housing and non-housing portions of the threshold.

(3) Total poverty threshold = Non-housing portion + housing portion.

Substituting (3) into (2) and subtracting the housing share of the threshold from both sides of the equation yields:

(4) If the non-housing share of the threshold > all other income minus HOOP, the family is poor.

Adopting a universal, uncapped housing adjustment removes housing as an element in the poverty threshold. It remains part of the poverty measure, but is treated in the same manner as medical needs. If a family lacks sufficient income to exceed the non-housing share of its threshold net of its housing spending, it is poor.

How do these alternative conceptual decisions affect poverty rates? Table nine presents poverty rates by housing status using four different combinations of capping and selective versus universal adjustments. Its first two columns of numbers repeat the information provided in table eight, and report poverty rates and the effects (measured in percentage points) of the housing adjustment when the adjustment is selective and bounded at zero.

The second set of columns report poverty rates and housing adjustment effects when the housing adjustment is allowed to be negative. This change reduces the poverty-lowering effect of the housing status adjustment for the total New York City population from 7.5 percentage points to 6.6 percentage points. The resulting poverty rate is 21.1 percent. Permitting a negative adjustment has a noticeable, but modest, impact on tenants in Mitchell-Lama housing and other regulated apartments, as well as homeowners who are free and clear of a mortgage. The most important change, because it represents such a large proportion of households in the City, is for renters in stabilized or controlled apartments. The poverty rate for this group rises to 27.0 percent from the no-cap poverty rate of 24.5 percent. This change indicates that despite their control status, 2.5 percent of these renters spend so much for housing that they do not have sufficient income to meet their non-housing needs. They would be classified as living in poverty if a negative adjustment had been made to their income.

The third set of columns applies the adjustment across all the housing status groups, but applies the cap. This increases the housing status effect to 8.4 percentage points and brings the New York City poverty rate down to 19.3 percent. The City-wide poverty rate falls because the housing adjustment is now lifting 4.1 percent of market rate renters and 0.5 percent of homeowners with a mortgage out of poverty.

The fourth set of columns present the result of applying the adjustment across all housing categories and permitting the adjustment to be negative. This creates a 24.7 percent poverty rate.

The poverty rate for market-rate renters is again 24.5 percent, indicating that nearly an equal number of these renters are moved in and out of poverty by the housing adjustment. The most dramatic change is for homeowners with a mortgage. Their poverty rate climbs to 23.8 percent when the cap is lifted. Allowing for a negative adjustment would raise the level of poverty for this group by 13.7 percentage points.

Table Nine

Effect of Variations in the Housing Adjustment on 2008 Poverty Rates

	Current Methodology		Current Methodology, Selective Adjustment - No Cap		Current Methodology - Apply Adjustment Universally - Cap on Adjustment		Current Methodology - Apply Adjustment Universally - No Cap	
	Poverty Rate	Effect	Poverty Rate	Effect	Poverty Rate	Effect	Poverty Rate	Effect
Total New York City	20.2	-7.5	21.1	-6.6	19.3	-8.4	24.7	-3.0
Renter - Public Housing	37.3	-25.5	37.4	-25.4	37.3	-25.5	37.4	-25.4
Renter - Mitchell-Lama	20.6	-9.7	23.2	-7.2	20.6	-9.7	23.2	-7.2
Renter - Tenant-Based Subsidy	31.6	-35.8	31.8	-35.6	31.6	-35.8	31.8	-35.6
Renter - Stabilized/Controlled	24.3	-7.6	27.0	-4.9	24.3	-7.6	27.0	-4.9
Renter - Other Regulated	33.9	-20.9	35.5	-19.3	33.9	-20.9	35.5	-19.3
Renter - Market Rate	24.5	0.0	24.5	0.0	20.4	-4.1	24.5	0.1
Renter - No Cash Rent	10.9	-19.2	10.9	-19.2	10.9	-19.2	10.9	-19.2
Owner - Free & Clear	10.4	-5.1	11.3	-4.2	10.4	-5.1	11.3	-4.2
Owner - With Mortgage	10.1	0.0	10.1	0.0	9.6	-0.5	23.8	13.7

Source: American Community Survey Public Use Micro Sample as augmented by CEO.

Table ten focuses on those individuals who would become poor if the housing adjustment was permitted to be negative and was applied universally across all households in the City. Over 442,000 additional New Yorkers would be counted as poor by this change, 5.4 percent of the City population.[30] They represent a relatively small share of each housing group, except for homeowners with a mortgage, where they account for over 14 percent of the housing category. People in that status account for over two-thirds (68.8 percent) of all those who would be moved into poverty by this change. Renters in Stabilized or Controlled and market rate apartments, together, make up another 28.0 percent of those who become poor.

Table Ten

Who is Moved into Poverty, 2008?

By Change from Selective & Capped Adjustment to Universal and Uncapped Adjustment

Housing Status	Number of Persons:		Share Moved into Poverty:	
	In Housing Status	Moved into Poverty	Of Housing Group	Of All Moved
Stabilized/Controlled	2,037,368	55,093	2.7%	12.5%
Market Rate	1,658,583	68,753	4.1%	15.5%
All Other Renters*	1,431,864	6,250	0.4%	1.4%
Owned Free & Clear	902,315	8,045	0.9%	1.8%
Owned with Mortgage	2,143,174	304,077	14.2%	68.8%
Total	8,173,304	442,218	5.4%	100.0%

* Includes Public Housing, Mitchell Lama, Tenant-Based Subsidy, Other Regulated, and No Cash Rent
Source: 2008 American Community Survey Public Use Micro Sample as augmented by CEO.

To what extent are the people who are moved into poverty by the different application of the housing adjustment living in high-cost, high amenity neighborhoods? We explore this by mapping their location. Maps one and two are based on the ACS's Public Use Micro Sample areas (PUMAs). There are 55 of these in New York City. The number in each neighborhood in the maps indicates its share of all those who are moved into poverty by the different application of the housing adjustment. The darker the shade in the map, the higher is the neighborhood's share.

Map one reports these shares for persons living in rent stabilized or controlled and market rate rental units. Not surprisingly, most (five of the eight) of the neighborhoods with the highest shares are in Manhattan south of Harlem. One of the other three is the heavily gentrified section of Brooklyn that includes Park Slope, Carroll Gardens, Cobble Hill and Red Hook. These six
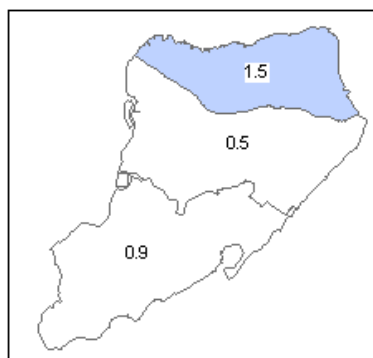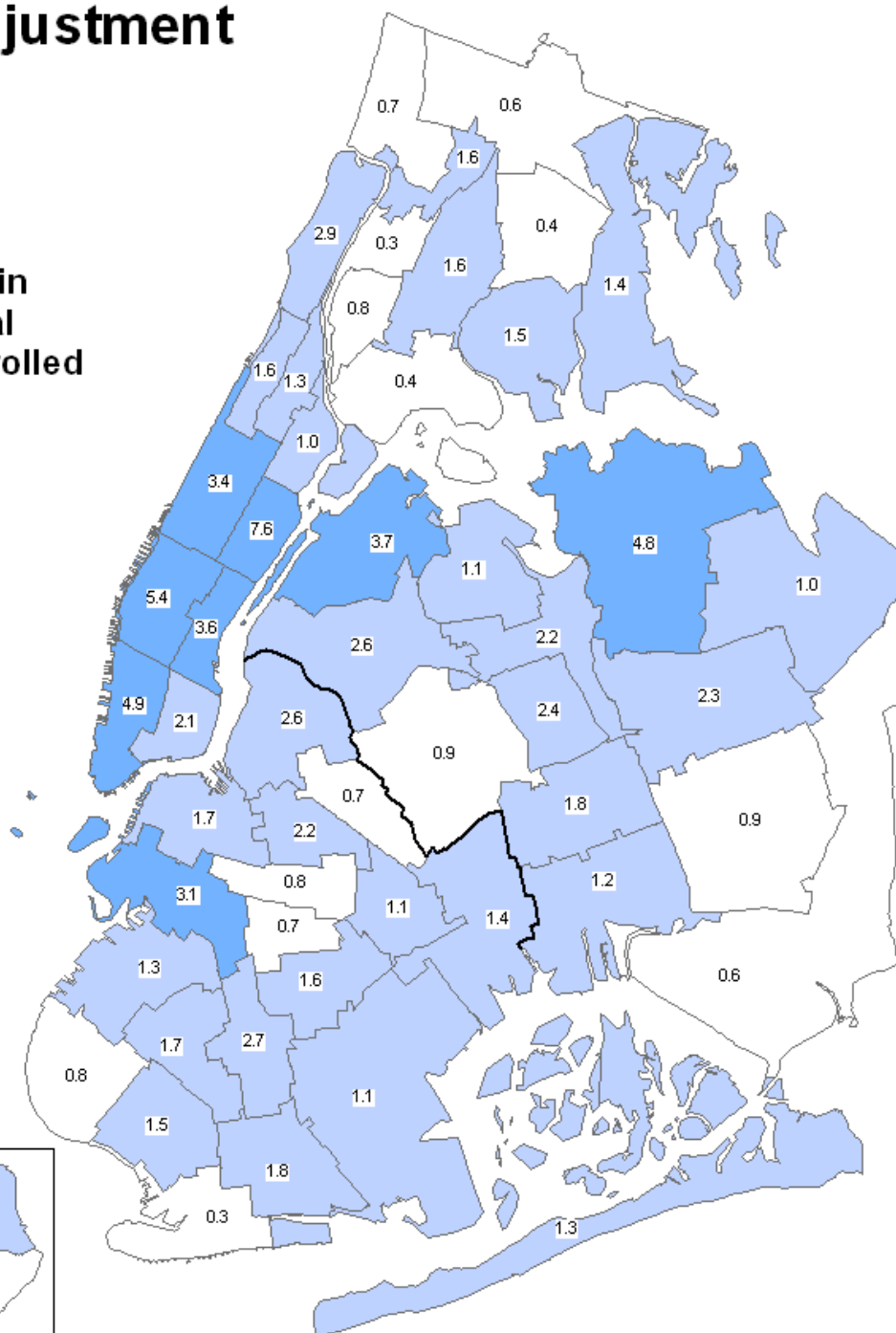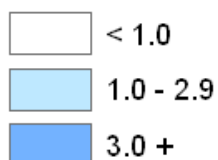
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[30] This increase exceeds the change in the poverty rate reported in table 9 because it does not include persons who would be newly classified as not poor because they would be receiving an addition to their income.

areas account for 28.0 percent of the total number of persons in these housing categories that are reclassified as poor. Astoria (3.7 percent) and Flushing/Whitestone (4.8 percent) in Queens are less expected members of the top eight neighborhoods. Adding their shares to the eight-neighborhood total brings it to 36.5 percent.

Map 2 provides the same measure for persons in the owned-with-a-mortgage category. The spatial pattern for owners is far different than the renters in map one. Home ownership is more common outside than inside of Manhattan. The mortgage-holding homeowners who are brought into poverty by a change in the housing adjustment cluster in the Flatlands/Canarsie section of Brooklyn (6.4 percent), the eastern parts of Queens (31.3 percent), and northern and southern Staten Island (7.5 percent). These areas collectively account for 45.2 percent of all those living in the owned-with-a-mortgage housing status that are moved into poverty.

Map 1
# Moved into Poverty by Universal Uncapped Housing Adjustment

Share of Persons in Market Rate Rental or Stablized/Controlled Housing Status

- ☐ < 1.0
- ☐ 1.0 - 2.9
- ☐ 3.0 +

0.7 0.6
1.6
2.9 0.3 0.4
0.8 1.6 1.4
1.5
1.6 1.3 0.4
1.0
3.4
7.6 3.7 4.8
1.1 1.0
5.4 3.6
2.6 2.2
4.9 2.1 2.6 2.4 2.3
0.9 1.8 0.9
0.7
1.7 2.2
0.8 1.2
3.1 1.1 1.4
0.7 0.6
1.3
1.6
1.7 2.7
0.8 1.1
1.5
1.8
0.3 1.3

1.5
0.5
0.9

Map of Census Bureau Public Use Microdata Areas (PUMAs) which also approximate New York City Community Districts. Source: 2008 American Community Survey Public Use Microdata Sample as augmented by CEO.

27

Map 2
Moved into Poverty by Universal Uncapped Housing Adjustment

Share of Persons in Owner with Mortgage Housing Status
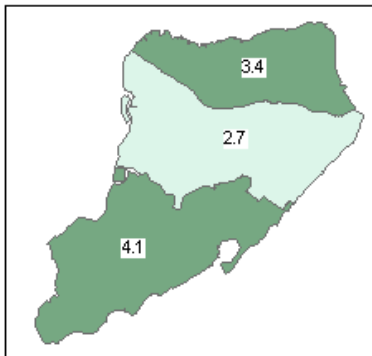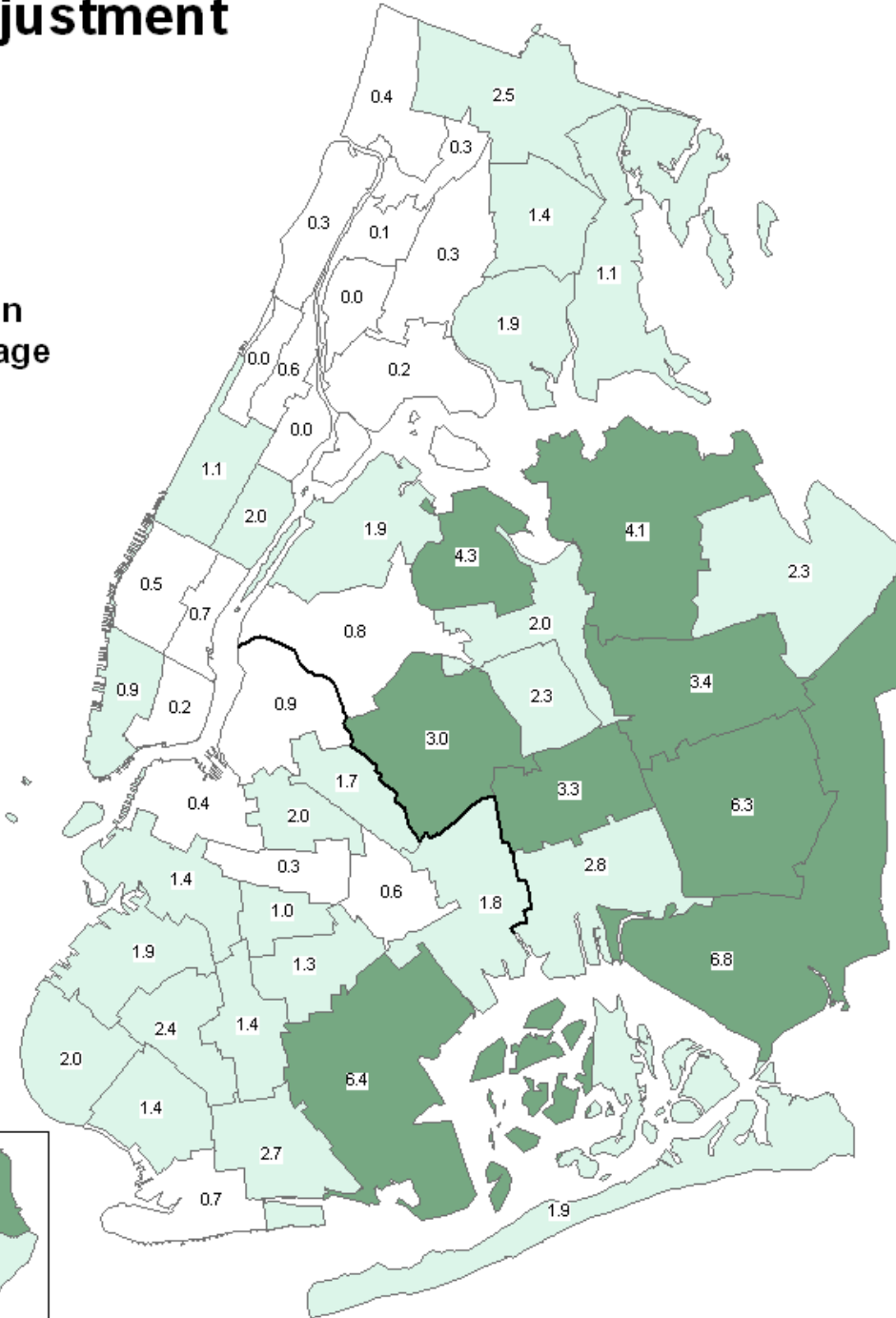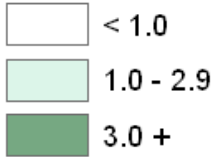
☐	< 1.0
☐	1.0 - 2.9
■	3.0 +

Map of Census Bureau Public Use Microdata Areas (PUMAs) which also approximate New York City Community Districts. Source: 2008 American Community Survey Public Use Microdata Sample as augmented by CEO.

IV. CONCLUSION

Creating an income adequacy measure of poverty entails setting a threshold that identifies a standard of living below which families are classified as poor. It is the answer to the question, what (from the perspective of defining poverty) does a family need? A poverty measure also requires a definition of what is to be counted as income available to a family to meet the needs represented by the threshold.

National Academy of Sciences'-style poverty measures do not place needs on the threshold side and resources on the income side of the poverty equation in a simple manner. The threshold represents needs for food, clothing, shelter and utilities plus "a little more" for miscellaneous necessities. The NAS measure of income includes cash after taxes, along with the value of in-kind subsidies for food and housing. It then reduces income by what a family spends for commuting to work, childcare, and medical care.

These three items are necessities that a poverty measure must recognize, but the NAS judged that they should be accounted for on the income, not threshold, side of the measure. The NAS gave two reasons why some needs should not be included in the threshold. First, unlike food, clothing, and housing, work-related and medical expenses are not universal. Second, differences in what families need to cover these costs vary too widely to be adequately represented by a threshold that is scaled by family size, composition, and geography. A question that is posed by the housing adjustment alternatives is the extent to which the seemingly wide variety in families' need to pay for housing can be adequately captured by adjustments to the poverty threshold. Is housing like food, or is it more like out-of-pocket medical expenditures?

The SPM will capture the variation in spending needs for housing among homeowners with and without mortgages and renters by including a housing adjustment to its threshold. CEO relies on adjustments on the income side of the poverty measure. Because we use household level expenditures rather than "on average" adjustments per housing category, this approach captures more variation in housing expenditures than what is achievable on the threshold side. The conceptual issue explored in this paper is how much of this variation belongs in a measure of poverty. There is broad agreement that the advantage of owning a home free and clear of a mortgage should be recognized and that income side adjustments are appropriate for measuring the impact of means-tested housing subsidies. In its work to date, CEO has extended this to renter households participating in other housing affordability programs.

29

The shifts in poverty rates described in table nine suggest that many families that do not receive a housing status adjustment are paying less for their housing than the housing share of their threshold would suggest they need. If this is not at the cost of residing in substandard housing, what is the argument for not including the advantage of their "good deal" in their income? A more dramatic change in poverty rates occurs when we open the measure to the possibility of a "bad deal" – instances where families would be counted as poor if their overspending were treated as a non-discretionary expense.

The maps suggest that what we have referred to as excess spending on housing is not simply a reflection of people living in neighborhoods they can not afford. They are living in housing they can not afford. This appears to be a change from the pattern we saw several years ago in the 2005 Housing and Vacancy Survey. In the middle of the decade it was easier to argue that families that were overspending on their housing could move to more affordable alternatives. Their overspending was a matter of choice that a poverty measure need not account for. That is a more difficult case to make when the over-spenders are predominantly outer-borough homeowners who would have a difficult time selling their homes given the current market. More recent data from the 2009 American Community Survey will be released shortly. It may provide further evidence of the degree to which the shift in the housing market should prompt CEO to broaden the scope of its housing status adjustment.