

ALICE Update



How the Cost of Housing Impacts Many Connecticut Families

Do You Know ALICE?

Twenty-five percent of Connecticut households have earnings that exceed the Federal Poverty Level (FPL) but fall short of a basic cost of living threshold. This threshold is a measure of the amount of income required to pay for the essential costs of living included in a Household Survival Budget.

We call these households **ALICE**—an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. Together with the 10% of Connecticut households in poverty, more than one-third of Connecticut households (35%) struggle to get by. ALICE households represent a cross-section of the population that includes all races, ethnicities, ages, and people from every city and town in Connecticut.

Household Survival Budget <i>Connecticut Average (2012)</i>	
Monthly Expenses <i>(minimum cost options)</i>	Family of Four <i>(2 adults, 1 infant, 1 preschooler)</i>
Housing <i>HUD Fair Market Rent for a 2 bedroom apartment</i>	\$1,143
Child Care <i>Licensed home-based care for 1 infant & 1 toddler</i>	\$1,518
Food <i>USDA Thrifty Food Plan</i>	\$592
Transportation <i>Avg. cost of maintenance, gas, insurance for 1 car</i>	\$624
Health Care <i>Monthly out of pocket health care spending</i>	\$467
Miscellaneous <i>10% of line items above, for cost overruns</i>	\$490
Taxes <i>Federal and state income taxes</i>	\$556
Monthly Total	\$5,391
Annual Total	\$64,689

For detailed information about sources and methodology for the Household Survival Budget, see Appendix C in the Connecticut ALICE Report (<http://alice.ctunitedway.org/>)

In this ALICE Update, we use data compiled by the Partnership for Strong Communities to explore some of the biggest housing challenges facing Connecticut ALICE Families

- 1. Housing is a universal need, and affordable options for ALICE families are limited.** Throughout much of Connecticut, the cost of available housing is too high relative to the actual incomes of ALICE households.
- 2. Half of all renters and more than a third of all homeowners in Connecticut – many who are ALICE families – are burdened by their housing costs.** They are spending more than 30% of their income on housing, which makes it difficult to pay for other necessities.
- 3. When households are overburdened by housing costs, they are faced with making tough choices,** including living in substandard housing, moving farther away from their job, and even falling into homelessness.
- 4. The supply of affordable housing in Connecticut is growing, but the need is still great.** Although Connecticut ALICE families benefit from the unprecedented creation of 7,500 affordable homes since 2011, spurred on by the state government, there is still a significant need for affordable housing choices.

Housing is a universal need, and affordable options for ALICE families are limited

Housing is one of the largest monthly expenses for any family. There are two factors that set housing apart from the other basic needs in the survival budget. The first is that housing is a universal and permanent need for all families, regardless of household composition or age. The second is that a family's housing situation can directly impact the cost and availability of other essentials such as child care, food, and transportation.

In the Connecticut ALICE Report, the estimated cost of housing for a family of four in the Household Survival Budget is \$1,143 per month, which is based on the statewide average HUD fair market rent for a 2 bedroom apartment. As a percentage of the survival budget, housing comprises 21% of expenses. This is a useful estimate for approximating the minimum cost of housing relative to other essentials, but it must be noted that ALICE families have annual household incomes that fall below the \$64,689 ALICE threshold by definition. As such, many ALICE households are paying a higher percentage of their income for housing.

Consider a hypothetical household of four (two adults, one preschooler, and one infant) in Connecticut with the following characteristics:



Employment

Both adults work full-time (40 hours/week)



Income

\$10/hour per adult
(\$20/hour for household)



Transportation

Household has one car to share

Before taxes and other expenses, this household earns \$3,467 per month. Here are two of their possible housing situations:



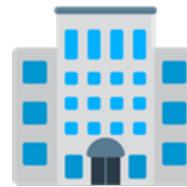
Own

\$2,135/month

(state median monthly owner costs with mortgage)

62%

of monthly gross income



Rent

\$1,056/month

(state median monthly gross rent)

30%

of monthly gross income

If this family owns a home, their costs are likely to place them with an extreme housing burden that they cannot easily relieve themselves of. And if this family rents an apartment, any costs above the state median monthly gross rent will push them beyond the 30% income threshold of being housing burdened.

However, not all families are in this hypothetical situation. For some workers, their weekly schedule can fluctuate based on the needs of their employer, making it a challenge for ALICE families to plan their spending around their expected earnings. For families without a car, the scope of available employment opportunities is limited by the ability to travel to and from work on foot or by public transit—an ability that is directly linked with housing location.

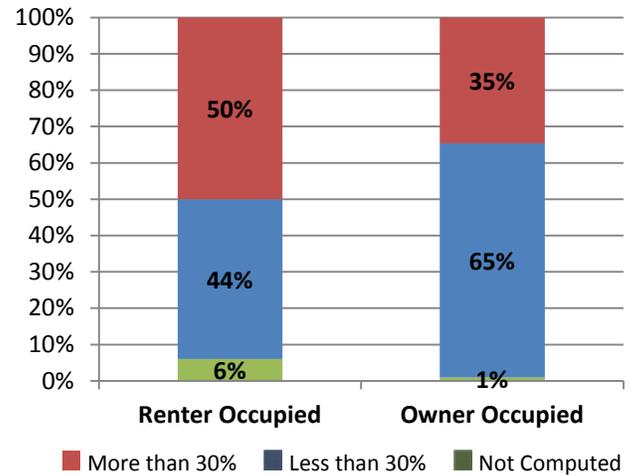
Half of all renters and more than a third of all homeowners in Connecticut—many who are ALICE families—are burdened by their housing costs

The cost of housing (rent or mortgage) is considered to be a burden when it exceeds 30% of household income. For many ALICE families, it is a burden they have no choice but to accept. In its 2015 Housing Data Profile for the State of Connecticut, Partnership for Strong Communities highlighted data from the American Community Survey that shows how much income that renters and homeowners in the state pay toward their housing costs. We illustrate that data in these bar charts.

According to the Connecticut ALICE Report, Connecticut's metro areas vary from moderately affordable to among the least affordable housing markets in the country (National Association of Home Builders [NAHB]/Wells Fargo, 2014). The Norwich-New London and New Haven-Milford metro areas rank as the 44th and 45th most affordable areas in the nation (out of 225) and the Hartford-West Hartford-East Hartford metro area ranks 66th in the nation. The Bridgeport-Stamford-Norwalk metro area is one of the least affordable metro areas in the nation, ranked at 202 out of 225 (NAHB/Wells Fargo, 2014).

Percent of Income That CT Renters & Owners Paid Toward Housing Costs

Source: 2009-13 American Community Survey



50% of renters and 35% of owners in CT spent more than 30% of their income on housing costs, leaving less money for other necessities.

When households are overburdened by housing costs, they are faced with making tough choices

Income spent on housing is not available to cover the costs of other basic needs. In an effort to afford their housing costs, some families will live in housing that is smaller than they might otherwise need, further from their work, school, and essential services, is substandard, or any number of other compromises that negatively impact quality of life. For families who are struggling to get by, the consequences of high housing costs impact all areas of an ALICE household's life.

Reality for many ALICE households in Connecticut means working at jobs with variable schedules, fewer hours, or that are far from where they live. Just as is the case for households at any income level, **the housing costs paid by ALICE families will determine how much of their income remains to pay for the other essentials—and for ALICE, what remains is often not enough to get by or to achieve financial stability.**

Connecticut's 2-1-1 service helps thousands of state residents to find and access a wide range of health and human services across the state. In recent years, the most prevalent service request is for housing/shelter services. At the United Way 2-1-1 contact center, we handled almost 50,000 service requests related to housing, many of which involved people potentially facing homelessness. Another 20,000 service requests involved people who could not afford housing related utility costs. When people become homeless or are in danger of becoming homeless a downward spiral often ensues, threatening or destabilizing work and school and family life. Housing instability can also give rise to many other social and health problems.

The supply of affordable housing in Connecticut is growing, but the need is still great

According to the Partnership for Strong Communities' Housing in CT 2015 report, the State of Connecticut has created more than 7,500 affordable housing units since 2011, with more on the way. This represents great progress for Connecticut.

The Connecticut ALICE Report estimated that there are nearly 277,000 ALICE households who are renters in the state, but that there are only about 175,000 affordable rental units. The new affordable housing units created by the state address a crucial need and support financial stability for many families. We need to engage more partners, both public and private, to follow the state's lead and be part of the solution.

For example, many ALICE families have limited housing choices in locations that can provide better access to jobs, school resources, services, health care, and so on. More municipalities can help by adopting zoning regulations and development policies which enable the creation of more affordable housing.

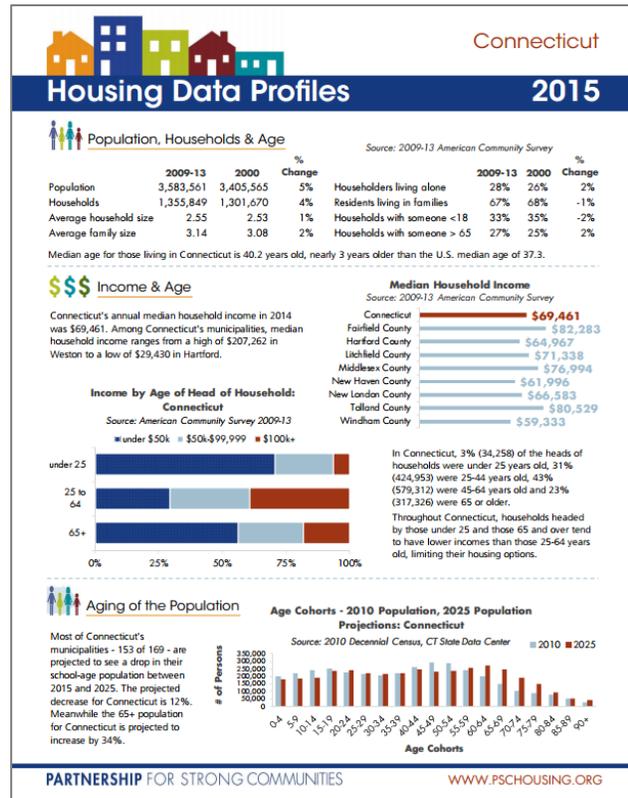
Explore housing data for every Connecticut city and town

The **Partnership for Strong Communities** periodically releases housing data profiles for the state as a whole, and also for every county and municipality.

Compiled from data collected by the U.S. Census, American Community Survey, projections from the Connecticut State Data Center, and other sources, the 2015 Housing Data Profiles provide a concise visual summary of key housing-related data points.

To supplement the statistics, Partnership for Strong Communities has added explanations of the housing status for each municipality in the 2015 Housing Data Profiles.

Visit <http://bitly.com/2015CTHousingData> to learn more and download the housing data profile for your city or town.



Connecticut United Ways are supporting and advocating for more affordable housing options for ALICE

When ALICE families encounter an unforeseen problem – home repairs or the need for a new furnace or appliance, a significant illness or car trouble – it can trigger a real financial crisis. Connecticut United Ways allocate funding and they work to engage community leaders in strategies that can help with emergency repairs and utility costs, avert homelessness, and assist with other basic needs. The United Way Policy Agenda for ALICE also supports more investment in affordable housing, incentives to encourage development in towns with a shortage of affordable housing and streamlining the permitting and development processes.

How can you help? You can raise awareness about ALICE among business, community, and government leaders. You can share the stories of ALICE families and their burden of high housing costs. And you can stimulate an informed discussion among your community's residents and leaders about improving the stability of ALICE households through increasing the availability of affordable housing options, and about how their improved stability will benefit your community as a whole.

About Connecticut United Ways

Connecticut United Ways identify and build upon strengths and assets in their local communities, helping individuals and groups with specific interests find ways to contribute their time and talents, support direct-service programs and community-change efforts, and advocate public policy changes toward advancing the common good by creating opportunities for all, with a particular focus on education, income, and health — the building blocks for a good quality of life. We engage people and organizations throughout our communities who bring passion, expertise and resources needed to get things done, and we invite everyone to be part of the change.