HMDA does not provide similar data for renters. As a substitute, HUD examined the rental housing stock located in low-income zones of 41 metropolitan areas surveyed as part of the AHS between 1989 and 1993. While the low-income zones do not exactly coincide with low-income tracts, they were the only proxy readily available to HUD.[71] Slightly over 13 percent of single-family rental units were both affordable at the 60–80 percent of AMI level and located in low-income zones; almost 16 percent of multifamily units fell into this category.[72] The baseline analysis below assumes that 10 percent of the financed rental units are affordable at 60–80 percent of AMI and located in low-income areas.

2. Size of the Special Affordable Market

The size of the special affordable market depends in large part on the size of the multifamily market and on the very-low-income percentages of both owners and renters. Table D.10 gives market estimates for different combinations of these factors.[73] As before, Case 2 is slightly more conservative than the baseline projections (Case 1) mentioned above. For instance, Case 2 assumes that only 7 percent of rental units are affordable to low-income renters living in low-income areas.

The market estimates in Table D.10 suggest that 20–23 percent is a conservative estimate of the special affordable market. Under HUD's baseline projections, the market estimates remain above 20 percent even if the very-low-income percentage for owners falls as low as 6 percent. Thus, HUD's market estimate allows for the possibility that adverse economic conditions could keep very-low-income families out of the housing market. On the other hand, if the very-low-income percentage stays at its recent levels of 10 percent, the market estimate is as high as 24 percent.

The market estimate drops by approximately one percent if the estimate of the multifamily mortgage market changes from $30 billion to $23 billion. The market estimates under the more conservative Case 2 projections are almost 3 percentage points below those under the Case 1 projections. This is due mainly to Case 2's lower share of single-family rental mortgages (7 percent versus 10 percent in Case 1) and its lower affordability and low-income-area percentages for rental housing (e.g., a combined 48 percent for single-family rental units versus 55 percent for Case 1).

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[71] It would have been ideal for this purpose if AHS had identified its respondents by whether they live in a low-income census tract within a metropolitan area or low-income nonmetropolitan county (i.e., a tract or county whose median income is no more than 80 percent of metropolitan area or statewide non-metro median income). AHS would then have yielded an estimate of the percentage of rental units located in such areas whose median income is less than 80 percent of area median, and this could have been combined with an AHS estimate of the percentage of those units whose rents are affordable at 60–80 percent of area median income to generate the desired figure. Instead, AHS identifies respondents in its metropolitan area surveys by a variable called ZONE and provides no corresponding variable outside of metropolitan areas. Zones were defined in the 1970s to be areas of at least 100,000 population that were socioeconomically homogeneous, and their boundaries have been fixed since then. HUD estimated the percentage of rental units in metropolitan areas affordable at 60–80 percent of area median income based on the AHS distribution of rental units by income of zone (relative to 80 percent of area median) and the AHS percentages of units affordable at 60–80 percent of area median within each zone. Because of the size difference between tracts and zones—around 100,000 vs. around 4,000—the percentages that would have been generated if a tract-based analysis had been feasible would probably have been at least as large as the 13 percent and 16 percent figures generated in this analysis. This is because the larger the zones, the closer their median income would tend to be to the metropolitan area median income. HUD has no basis for estimating the degree of bias in extrapolating from this analysis of metropolitan area data to nonmetropolitan areas.

[72] The corresponding figures for the recently completed stock were 8 and 9 percent, respectively.

[73] Table D.10 shows the size of the special affordable market based on alternative assumptions about the share of single-family owner-occupied units that are occupied by very-low-income households. Special affordable units also include those that are occupied by low-income households in low-income areas. For a very-low-income assumption of 10 percent, the low-income in low-income area assumption is 2 percent. The 2 percent low-income in low-income area assumption is prorated downward as the very-low-income assumption is reduced, falling to 1.2 percent for a very-low-income assumption of 7 percent.