



# Community Development Committee

Meeting date: March 17, 2008

## ADVISORY INFORMATION

<b>Date:</b>	March 8, 2008
<b>Subject:</b>	Livable Communities Act - Ownership and Rent Affordability Limits 2008
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Livable Communities Act, MN Statute 473.25
<b>Staff Prepared/Presented:</b>	Linda Milashius, 651-602-1541
<b>Division/Department:</b>	Community Development/Livable Communities

## Proposed Action/Motion

None. Information only.

## Overview:

The Council's definition of "affordable housing" represents the upper limit of monthly rental and ownership purchase price amounts for housing referred to in Framework policy as affordable to low- and moderate-income families. These income limits for determining affordability have been a part of the foundation for goals negotiations and monitoring of goals progress with LCA participating cities since 1995, and have been the basis for counting all new affordable units in the housing stock, i.e., all new publicly-assisted and market rate units affordable to low-and-moderate income households.

Since inception of LCA Local Housing Incentives Account in 1995, the Council has identified a purchase price ceiling or target maximum price for an owner-occupied home based upon what a family of four with an income at or below 80 percent of area median income (a standard prevalent in many homebuyer assistance programs including those at Minnesota Housing) can afford at prevailing interest rates. In 2007, the amount identified was \$206,800. Goals negotiated with LCA participating cities regarding affordable home ownership consider new ownership units priced below this amount as affordable.

In 2001, the Council added to its Local Housing Incentives Account Additional Metropolitan Housing Implementation Group (MHIG) Funding Criteria a preference for funding ownership programs, including units affordable at 60 percent of area median income. This, too, is now an affordability level identified each year for LCA implementation. In 2007, the amount identified was \$152,000.

For affordable rental units, the Council uses the maximum monthly rents permitted in the metropolitan area for the federal low-income housing tax credits (LITC) to housing serving households at 50 percent of area median income (AMI). This affordability standard is the same as that used by Minnesota Housing and the other funding partners in the Metropolitan Housing Implementation Group funding process each year.

The area median income for the seven-county Minneapolis-St. Paul area adjusted by HUD to be applicable to a family of four is \$80,900 in 2008. Eighty percent of the income is \$64,720; 60 percent is \$48,540; and 50 percent is \$40,450.

Applying an interest rate on a 30-year fixed-rate home loan of 6.125 percent for 2008, and other payment factors to the 80 percent of area median income amount adjusted for a family of four (\$64,720), yields an affordable purchase price of \$214,900 in 2008.

Applying this same anticipated interest rate, the 2008 purchase price affordable to a household at 60 percent of area median income adjusted for a family of four (\$48,540) will be \$158,000.

To implement the Livable Communities Act in 2008, the Metropolitan Council will use as the upper limit of affordability for ownership purchase price and monthly rents, the following dollar amounts:

<b>2008 HOMEOWNERSHIP</b>	
<b>Household Income Level:</b>	<b>Affordable Home Price</b>
80% of area median income (\$64,720)	\$214,900
60% of area median income (\$48,540)	\$158,000

<b>2008 RENTAL HOUSING</b>	
<b>Bedroom size:</b>	<b>*Monthly gross rent including tenant-paid utilities, affordable at 50% of area median income</b>
Efficiency	\$ 707
1 bedroom	\$ 758
2 bedrooms	\$ 910
3 bedrooms	\$1,051
4 bedrooms	\$1,172

\*The same rent figures used for the federal low-income housing tax credit program in the seven-county metro area.