



Community Development Committee

Meeting date: April 6, 2009

ADVISORY INFORMATION

Date:	March 25, 2009
Subject:	Livable Communities Act - Ownership and Rent Affordability Limits 2009
District(s), Member(s):	All
Policy/Legal Reference:	Livable Communities Act, Minnesota Statute 473.25
Staff Prepared/Presented:	Libby Starling, 651-602-1135 Linda Milashius, 651-602-1541
Division/Department:	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 Livable Communities Act (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 2008, the amount identified was \$214,900. 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 2008, the amount identified was \$158,000.

For affordable rental units, the Council uses the maximum monthly rents permitted in the Minneapolis-St. Paul metropolitan statistical area for the federal low-income housing tax credits to rental 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.

Area Median Income for a family of four, 2009 Minneapolis-St. Paul Metropolitan Statistical Area U.S. Department of Housing and Urban Development	
Area median income	\$83,900
80% of area median income	\$67,200 ¹
60% of area median income	\$50,340
50% of area median income	\$41,950

Applying an interest rate on a 30-year fixed-rate home loan of 5.25 percent for 2009 and other payment factors² to the 80 percent of area median income amount adjusted for a family of four (\$67,120), yields an affordable purchase price of \$233,000 in 2009. Applying this same anticipated interest rate, the 2009 purchase price affordable to a household at 60 percent of area median income adjusted for a family of four (\$50,340) will be \$171,000.

To implement the Livable Communities Act in 2009, the Metropolitan Council will use as the upper limit of affordability for ownership purchase price and monthly rents, the following dollar amounts:

2009 HOMEOWNERSHIP	
Household Income Level:	Affordable Home Price
80% of area median income (\$67,200)	\$233,300
60% of area median income (\$50,340)	\$171,100

2009 RENTAL HOUSING	
Bedroom size:	*Monthly gross rent including tenant-paid utilities, affordable at 50 percent of area median income
Efficiency	\$ 733
1 bedroom	\$ 786
2 bedrooms	\$ 943
3 bedrooms	\$1,090
4 bedrooms	\$1,216

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

¹ While 80 percent of \$83,900 would be \$67,120, Minnesota Housing rounds up to the next \$100 for the 80 percent of AMI limit for the Economic Development Housing Challenge Fund (Challenge). The Council will be consistent with Minnesota Housing.

² Assumes a 30 percent housing debt to household income ratio, 3.5 percent downpayment, a property tax rate of 1.25 percent of property sales price, mortgage insurance at 0.5 percent of unpaid principal, and \$100 / month for hazard insurance.