

Livable Communities Act - Ownership and Rent Affordability Limits 2011

Overview

The Council's definition of "affordable housing" represents the upper limit of monthly rents and home-purchase prices 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.

For units constructed in 2011 and beyond, the Council is using a consistent income limit of what a family of four with an income at or below 60 percent of area median income (AMI) can afford to pay in monthly housing costs for either rental housing or mortgage costs (including principal, interest, property taxes and home insurance).

This level is also consistent with the preference adopted in 2001 by the Local Housing Incentives Account Additional Metropolitan Housing Implementation Group (MHIG) Funding Criteria for funding homeownership units affordable at 60 percent of area median income.

Previously, the Council had identified a purchase price ceiling or target maximum price for owner-occupied homes based on what a family of four with an income at or below 80 percent of AMI could afford at prevailing interest rates. For affordable rental units, the Council had previously used the maximum monthly rents affordable for households at 50 percent of AMI.

Area Median Income for a family of four, 2011 Minneapolis-St. Paul Metropolitan Statistical Area <small>U.S. Department of Housing and Urban Development</small>	
Area median income	\$82,700
60% of area median income	\$49,600
30% of area median income	\$24,800

Applying an interest rate on a 30-year fixed-rate home loan of 4.5 percent for 2011 and other payment factors¹ to the 60 percent of area median income amount adjusted for a family of four (\$49,600), yields an affordable purchase price of \$160,250 in 2011. This compares to a 2010 purchase price limit at 60 percent of area median income of \$179,100. (Changes were made in the assumptions of debt-to-income ratios and mortgage insurance costs to reflect current standards in Federal Home Administration underwriting.)

¹ Assumes a 29 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 1.15 percent of unpaid principal, and \$100 / month for hazard insurance.

To implement the Livable Communities Act in 2011, the Metropolitan Council will use as the upper limit of affordability for ownership purchase price and monthly rents, the following dollar amounts:

2011 HOMEOWNERSHIP	
Household Income Level:	Affordable Home Price
60% of area median income (\$49,600)	\$160,250
30% of area median income (\$24,800)	\$72,800

2011 RENTAL HOUSING			
Bedroom size:	Monthly gross rent including tenant-paid utilities, affordable at 30 percent of area median income²	Monthly gross rent including tenant-paid utilities, affordable at 50 percent of area median income³	Monthly gross rent including tenant-paid utilities, affordable at 60 percent of area median income
Efficiency	\$435	\$723	\$870
1 bedroom	\$465	\$775	\$930
2 bedrooms	\$558	\$931	\$1,116
3 bedrooms	\$645	\$1,075	\$1,290
4 bedrooms	\$720	\$1,200	\$1,440

² Calculated. Minnesota Housing has not yet released the rent figures for use for the Housing Trust Fund in the seven-county metro area.

³ Calculated. Minnesota Housing has not yet released the rent figures for use for the federal low-income housing tax credit program in the seven-county metro area.