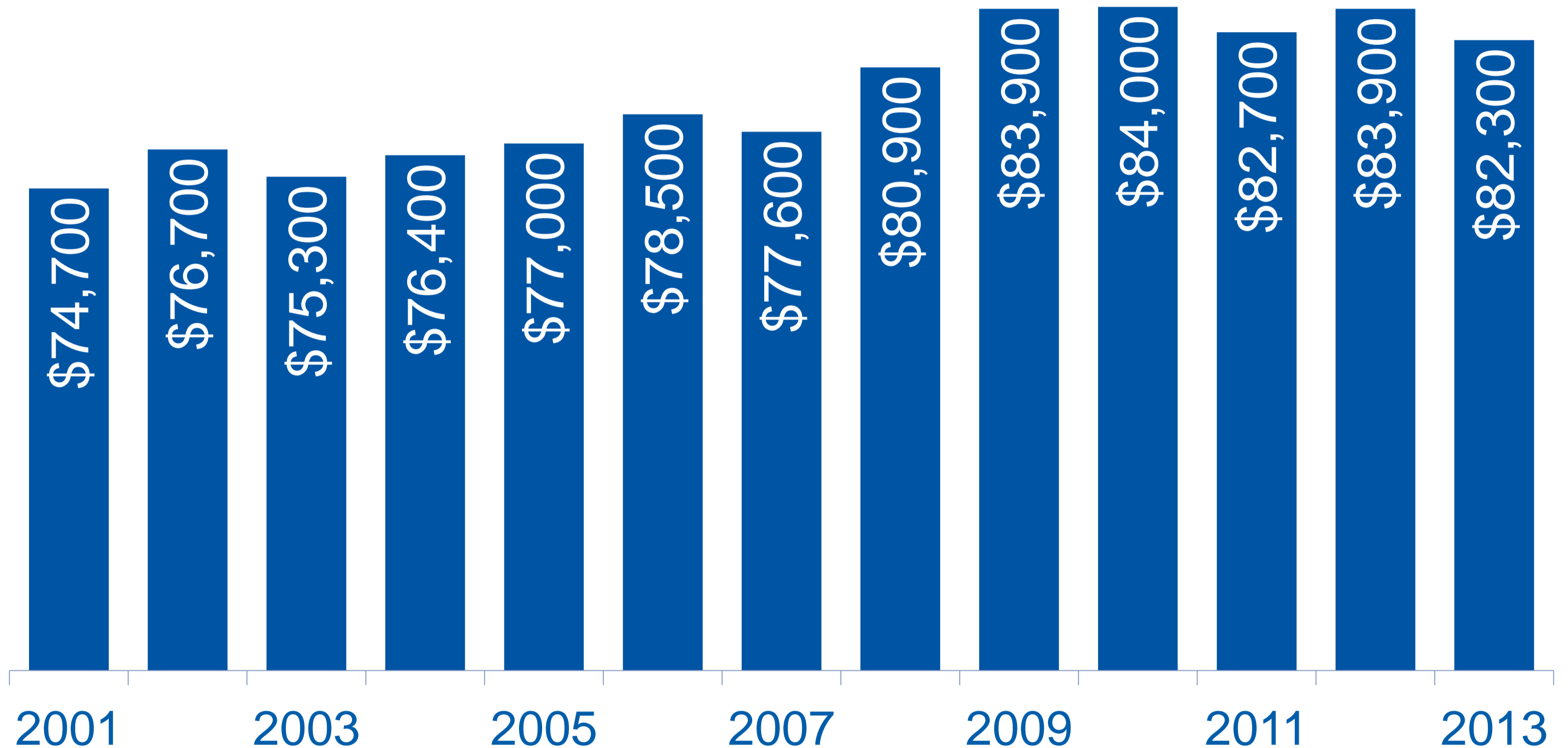


Why affordability limits

- Metropolitan Land Planning Act
- Livable Communities Act

Area Median Income (family of four)



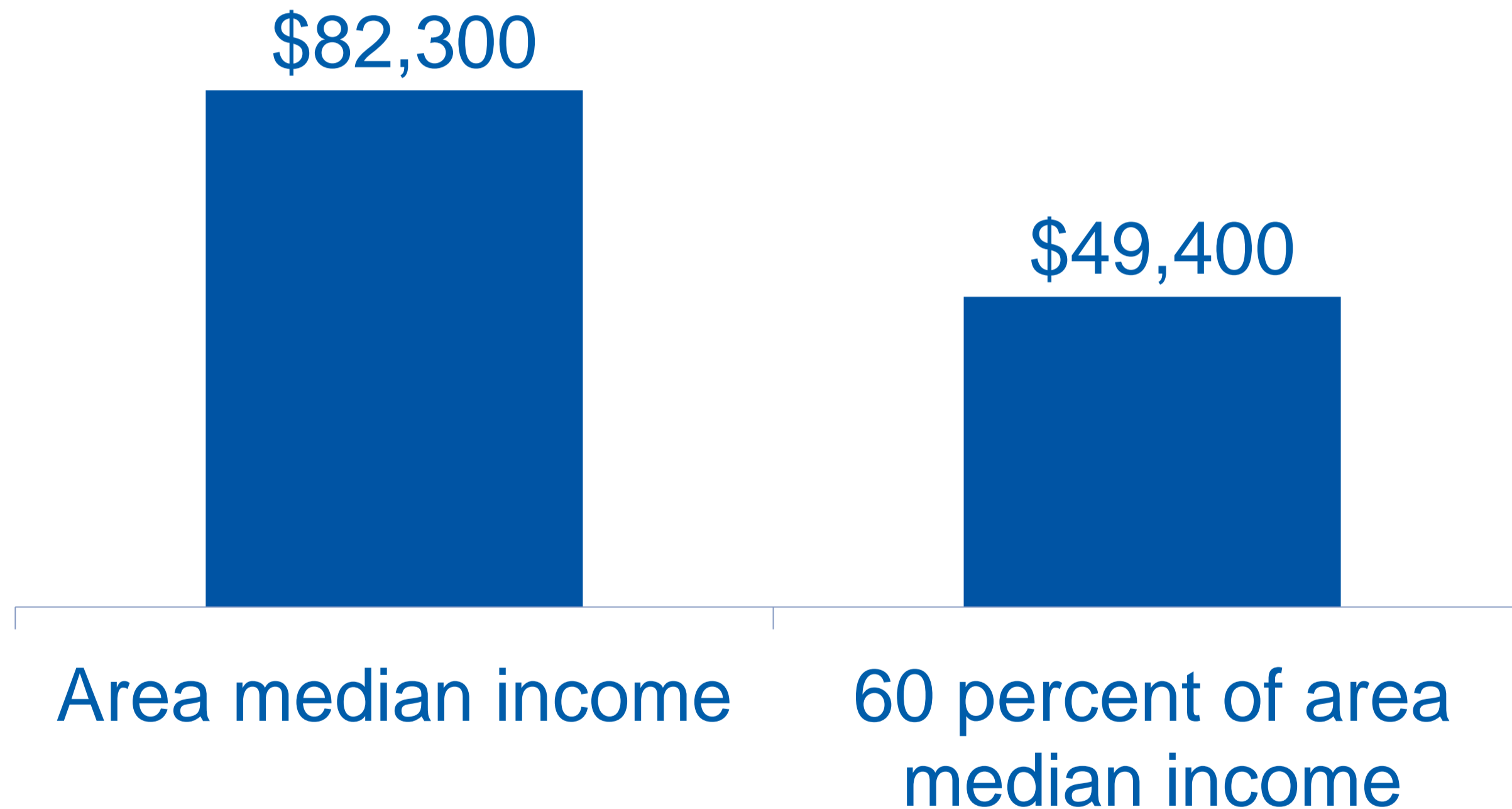
Source: U.S. Department of Housing and Urban Development



Levels of area median income for affordability:

- Prior goals period 1996-2010
 - 50% AMI for rental
 - 80% AMI for homeownership
- Since 2011:
 - 60% AMI for both rental and homeownership

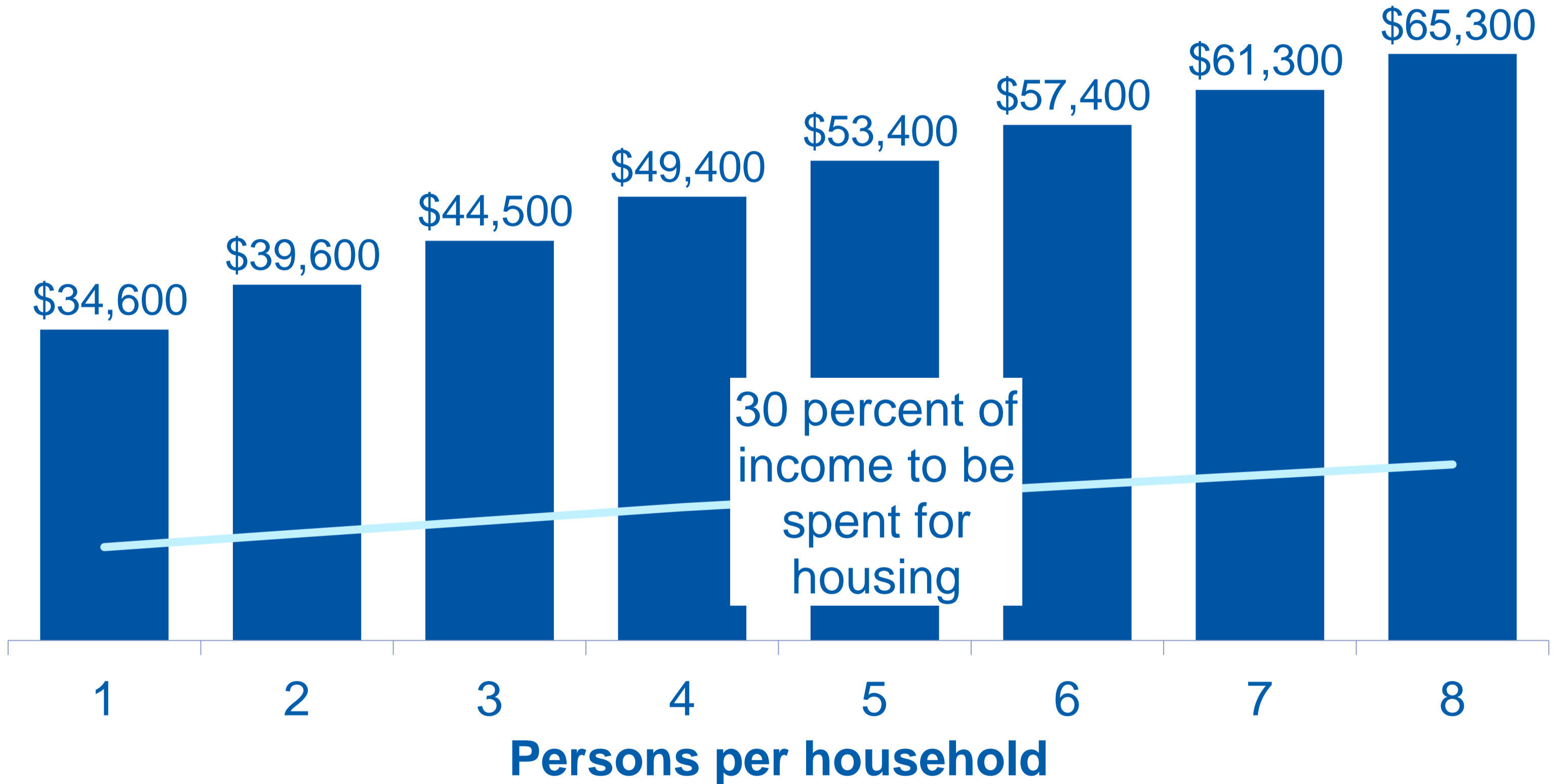
60 percent of area median income



Source: U.S. Department of Housing and Urban Development



60 percent median income



Source: Calculated from data from U.S. Department of Housing and Urban Development



Calculating rental limits

Number of bedrooms	Assumed number of residents	Annual household income	Monthly household income	Monthly affordable rent (30 percent)
0 BR	1	\$34,600	\$2,880	\$865
1 BR	1.5	\$37,100	\$3,090	\$927
2 BR	3	\$44,500	\$3,710	\$1,111
3 BR	4.5	\$51,400	\$4,280	\$1,284
4 BR	6	\$57,400	\$4,780	\$1,432

Source: Calculated from data from U.S. Department of Housing and Urban Development using methodology from the Minnesota Housing Finance Agency



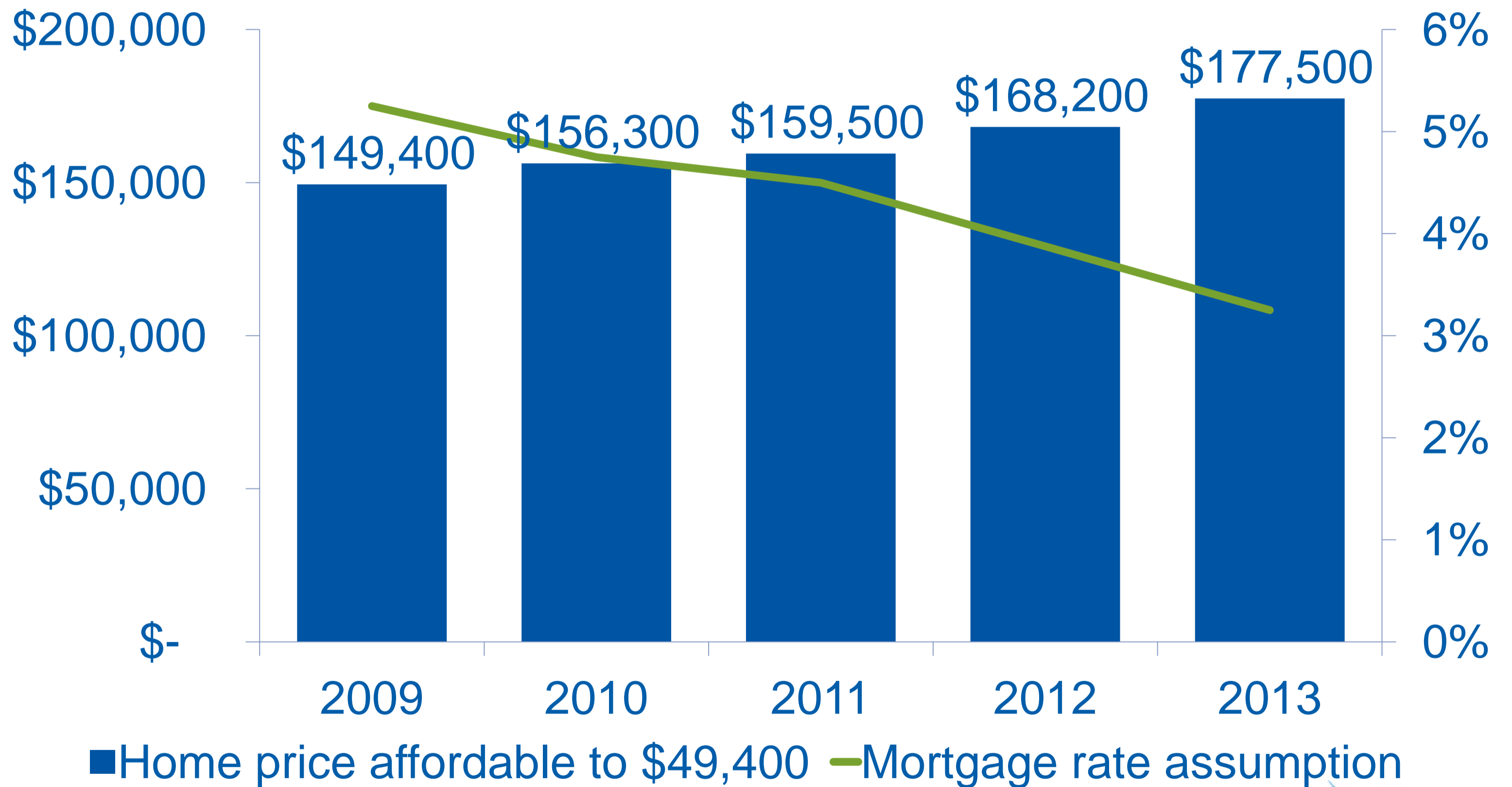
Calculating homeownership limits

Item	Assumption	Value
Annual income		\$49,400
Monthly income		\$4,117
Monthly income available for house payment (principal, interest, taxes, insurance)	29 percent (FHA limit)	\$1,194
Principal + interest	3.25 percent interest	\$745
Property taxes	1.25 percent of value	\$185
Mortgage insurance	1.15 percent of mortgage	\$164
Hazard insurance		\$100
Percentage downpayment	3.5 percent of price	\$6,209
Purchase price		\$177,500

What drives changes in affordability limits

- On the rental side:
 - Changes in area median income directly drive changes in rents
- On the ownership side:
 - Changes in area median income
 - Changes in mortgage rate assumptions
 - Changes in mortgage requirements

Affordability limits at different mortgage interest rates



Livable Communities Act

Ownership and Rental Housing Affordability Limits

Community Development Committee

