

Community Development Committee

Meeting date: February 4, 2013

ADVISORY INFORMATION**Date:** January 8, 2013**Subject:** Livable Communities Act – Ownership and Rent Affordability Limits 2013**District(s), Member(s):** All**Policy/Legal Reference:** Livable Communities Act, Minnesota Statute 473.25**Staff Prepared/Presented:** Libby Starling, 651-602-1135**Division/Department:** Community Development / Livable Communities**Proposed Action**

None. Information only.

Background

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.

Through 2010, 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.

For 2013, HUD is calculating in area median income for a family of four of 2013 of \$82,300, down slightly from 2011 and 2012's area median incomes of \$83,900 and \$82,700 respectively.

**Area Median Income for a family of four
Minneapolis-St. Paul Metropolitan Statistical Area**

U.S. Department of Housing and Urban Development

	2013	2012	2011
Area median income	\$82,300	\$83,900	\$82,700
60% of area median income	\$49,400	\$50,340	\$49,600
30% of area median income	\$24,700	\$25,170	\$24,800

Applying an interest rate on a 30-year fixed-rate home loan of 3.25 percent for 2013 and other payment factors¹ to the 60 percent of area median income amount adjusted for a family of four (\$49,400), yields an affordable purchase price of \$177,500 in 2013. This compares to a 2011 limit of \$160,250 and a 2012 limit of \$171,500. Record low mortgage interest rates offered by Minnesota Housing are driving the expanded income limit for 2013 despite the decrease in the area median income.

To implement the Livable Communities Act in 2013, the Metropolitan Council will use as the upper limit of affordability for ownership purchase price and monthly rents, the following dollar amounts:

2013 HOMEOWNERSHIP	
Household Income Level:	Affordable Home Price
60% of area median income (\$49,400)	\$177,500
30% of area median income (\$24,700)	\$80,500

2013 RENTAL HOUSING			
Bedroom size:	Monthly gross rent including tenant-paid utilities, affordable at 30 percent of area median income	Monthly gross rent including tenant-paid utilities, affordable at 50 percent of area median income	Monthly gross rent including tenant-paid utilities, affordable at 60 percent of area median income
Efficiency	\$432	\$721	\$865
1 bedroom	\$463	\$772	\$927
2 bedrooms	\$555	\$926	\$1,111
3 bedrooms	\$642	\$1,070	\$1,284
4 bedrooms	\$716	\$1,193	\$1,432

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.