

Note to: Dean Bloch
 From: Peter Richardson (for the Affordable Housing Working Group)
 RE: "What is Affordable Housing?"
 Date: 17-Jun-18

The question "what is affordable housing?" was raised at the recent Selectboard meeting. There are numerous facets to any answer—like the proverbial blind men describing an elephant. But here's a paraphrase of the definition and policy framework of the current Trust Fund program.

"Affordable" is defined as housing that is:

1. **Owned** by households whose (a) annual income does not exceed the median of the Burlington MSA, and (b) total housing costs are less than 30% of gross income. Total housing costs for owners include but are not limited to mortgage principal and interest payments, real property taxes, and homeowner's insurance premiums (PITI), plus utilities (heat, electricity) and condominium fees (if any). OR
2. **Rented** by households whose (a) annual income does not exceed 80% of the Burlington MSA, and (b) total housing costs are less than 30% of gross income. Total housing costs for renters include rent and tenant-paid utilities.

Median household income for communities across the country is set annually by HUD. The figures vary with family size.

HUD's 2018 median income for the Burlington MSA, which includes Charlotte, is \$93,000. Maximum incomes by family size are:

Maximum Incomes

Family Size	1	2	3	4	.....	8
Median Income	64,300	73,500	82,700	91,800	.....	121,200
80% of Median	50,350	57,550	64,750	71,900	.....	94,950

HUD's median income figures make relatively straightforward the task of *qualifying* families for participation in the program. As for housing costs for apartments, *maximum rents* may also be generalized, based on utility cost estimates.

Maximum Rents (rounded)

Family Size	1	2	3	4	.....	8
Unit Size	1-BR	1-BR	2-BR	2-BR	.....	4-BR
30% of 80% per mo.	1,260	1,540	1,620	1,800	.....	2,475
Tenant-paid Utilities	160	160	220	220	.....	325
Maximum Rent	1,100	1,350	1,400	1,580	.....	2,150

This chart displays maximum *program* rents. The "affordable rents" that are paid by individual tenants will vary with their actual incomes. Monthly rent plus utilities cannot exceed 30% of income.

The variables involved with total housing costs for homeownership are more complex and difficult to generalize. The expense elements in PITI include factors that are unique to specific situations, like development costs, downpayment amounts, mortgage terms, and tax assessments. Other subsidy

sources, including sweat equity, will almost always be involved. Total housing expenses need to be examined and analyzed on a case-by-case basis to determine what 30% of gross median income can buy.