Summer 2009

Unaffordable "Affordable" Housing: Challenging the U.S. Department of Housing and Urban Development Area Median Income

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There is no such thing as "affordable" housing. Affordability is not a characteristic of housing: It is a *relationship* between housing and people. For some people, all housing is affordable, no matter how expensive. For others, no housing is affordable, no matter how cheap.

In the 1980s, the term "affordable housing" came into vogue as affordability challenges moved up the income distribution and as public responsibility for the plight of the poor was in retreat. The term has since achieved international stature, yet still lacks precise and consistent definition. It typically encompasses not only subsidized housing, but also housing for middle-income households who find it difficult to purchase houses in the private speculative market. Much of what is touted as "affordable housing" is in reality affordable only to a narrow spectrum of households (depending upon the definition of affordability and the local housing market). Also, such housing is frequently only "affordable" to the initial residents, after which it may be sold, not with restrictions to maintain affordability, but into the speculative market where even a semblance of affordability is lost.

The term "affordable housing" is thus at best meaningless and at worst misleading—without explicit answers to these questions: Affordable to whom? By what standard of affordability? And for how long?

I will focus here on the first question and show why it is important to how local governments define "affordable" housing, target their housing resources and determine eligibility for such housing. This will include: (a) critical analysis of the widely utilized income limits set by the U.S. Department of Housing and Urban Development (HUD); (b) presentation of a consistent, but more realistic, alternative approach; and (c) brief summary of an ongoing campaign in Boston to get the city to use local incomes rather than metro area incomes as the reference for its "affordable" housing programs.

HUD Income Limits: Serious Problems

Federal statutes (U.S. Housing Act of 1937, as amended, Section 3, 42 U.S.C. 1437b), as interpreted and implemented by HUD, establish certain definitions that are widely used, not only for federal housing and community development programs but also by state and local governments and by non-profit and for-profit housing providers. The now-familiar definitions are as follows:

• low income: income no greater than 80 percent of the area median income (AMI);
• very low income: income no greater than 50 percent of the AMI;
• extremely low income: income no greater than 30 percent of the AMI.

Such income limits are computed annually for several hundred metropolitan and non-metropolitan "housing market areas" that together cover the entire country. Each year the process begins with an estimate of the median *family* income of each area, the AMI. A family is defined as two or more people related by birth, marriage or adoption. The estimated AMI is that of *all* families in the area irrespective of family size.

For each housing market area HUD then computes 80 percent of the AMI and defines this as the "low-income" limit for *4-person* households for that area; similarly, 50 percent and 30 percent of the AMI are set as the "very low-income" and "extremely low-income" limits respectively for 4-person households. That is, these limits are *not* 80 percent, 50 percent and 30 percent of the estimated median income of *4-person* *households* in the area, but of *all families* in the area.

HUD sets the income limits for other size households in the area by scaling the limits for 4-person households, using the following scale factors:

Household Size / Scale Factor

1 / 0.7	5 / 1.08
2 / 0.8	6 / 1.16
3 / 0.9	7 / 1.24
4 / 1.0	8 / 1.32

In the U.S., the most general operational definition of "affordable" housing is then based upon the HUD low-income measure in combination with the 30 percent of income affordability standard. Specifically, housing is considered "affordable" if the monthly cost is no more than 30 percent of the HUD low-income limit (divided by 12).

There are several problems with the interpretation and application of the HUD income limits to housing analysis and policy: household income versus family income; local area income versus metro area income; and income limits as ceiling versus income limits as floor. In dealing with the first and second of these issues, the American Community Survey (ACS) is an essential tool.

An Alternative Approach: Using ACS Data to Determine Local Median Household Incomes

The ACS is a large-sample national household survey conducted annually by the U.S. Bureau of the Census. The ACS obtains the same information as the Decennial Census long form (and indeed, starting in 2010, there will no longer be a decennial long form, as the ACS will be serving in its place). After a long period of design and testing, full implementation began a few years ago, with the 2005 ACS being the first to provide quite reliable results for many metro areas and some larger municipalities.

With the advent of the ACS, therefore, it becomes possible to assess local housing needs and affordability in ways that are far richer and more detailed both demographically and geographically than has been possible previously. Several years ago, given the availability of ACS data for most parts of the U.S., HUD began using these data in its methodology for estimating median family incomes for those market areas.

An illustration of how the ACS has made it possible to respond to the problematical issues associated with HUD income limits is provided by research using the ACS that—in conjunction with some very fine organizing and advocacy—has already had an impact on the City of Boston's Inclusionary Development Policy (IDP). City housing policies have used HUD's AMI—the median *family* income for *metropolitan* Boston

Unaffordable Subsidized Housing?

For some "affordable" housing programs—most particularly public housing, Section 8 and the Massachusetts Rental Voucher Program—tenants pay 30 percent of their adjusted gross income in rent. In other housing programs, notably the Low-Income Housing Tax Credit and HOME Programs, tenants pay 30 percent of 80 percent of AMI (or in some cases 30 percent of 60 percent of AMI, or 50 percent of the AMI). Even though this means that a household whose income is below the 80 percent (or 60 percent or 50 percent) of AMI has to pay more than 30 percent of its income to meet the monthly cost, such housing is still deemed "affordable." Furthermore, in housing developed in the 1960s and 1970s under the major federal programs then in effect (particularly under the 221(d)(3) and 236 programs), the rents many tenants are paying are more than 30 percent of 80 percent of AMI; this housing is still deemed "affordable," however, because the rents are not set by the market but by HUD, based on approved budgets for these developments.

FIG. 1. BOSTON MEDIAN INCOMES 2009
METRO AREA AND CITY

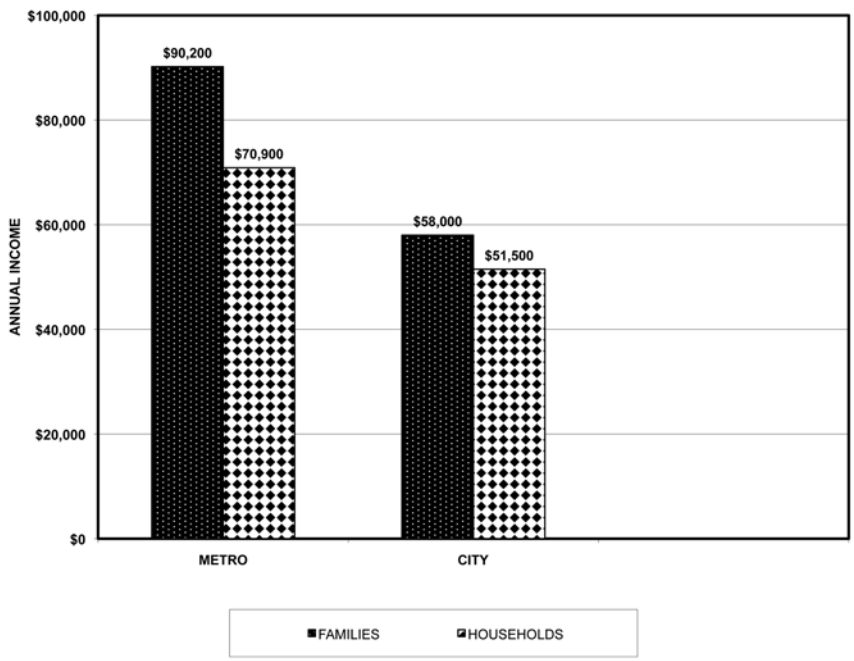
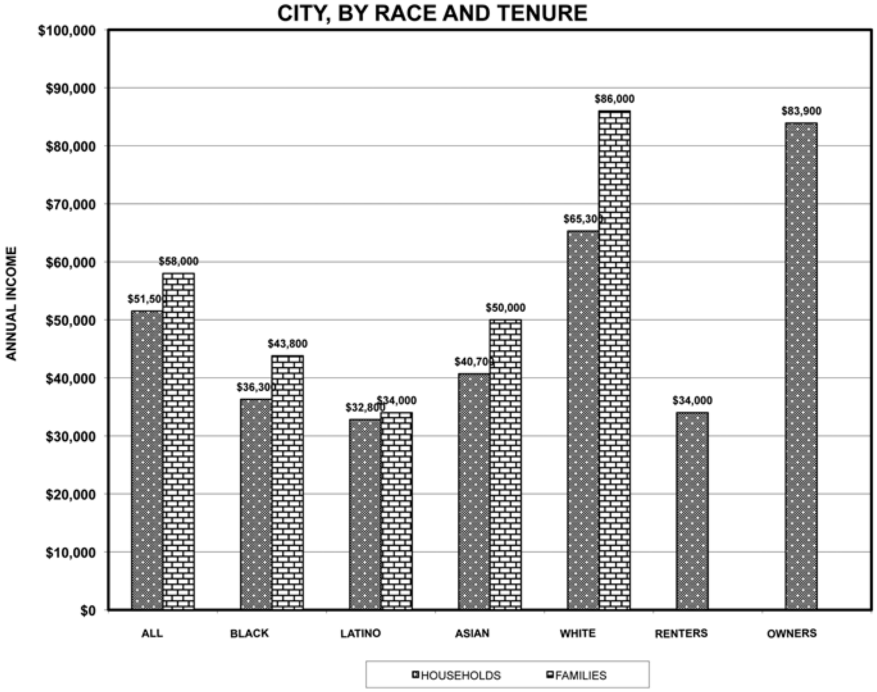


FIG. 2. BOSTON MEDIAN INCOMES 2009
CITY, BY RACE AND TENURE



as the reference point for defining "affordable" housing—rather than the median *household* income for the *City* of Boston. This distinction has profound consequences. Metro Boston contains 127 cities and towns, including the wealthiest towns in the state. The most recent (FY2009) Boston Metropolitan Area estimated AMI (utilizing metro area ACS data) is $90,200. By contrast, the estimated median household income for the City of Boston at the same point in time is just $51,500, based on exactly the same procedures devised and used by HUD to estimate AMI, but with the ACS for the city rather than the metro area.

Why emphasize *household* versus *family* median income? As mentioned earlier, families are formally defined as households containing two or more persons related by birth, marriage or adoption. Yet fully half of all Boston households are *non-family* households, and three-quarters of these non-family households are elderly residents or other people living alone. Not surprisingly, median family incomes ($58,000 in the City of Boston in 2009) are considerably higher than median household incomes ($51,500) because the calculation of median family income excludes all non-family households, most of whom have much lower incomes (see Figure 1).

The very same analytical process also makes it possible to estimate local median incomes for various population groups and tenure groups, thereby providing further measures of disparate housing affordability challenges at the local level (see Figure 2). These figures reveal that tenants have far lower incomes, on average, than homeowners, and households headed by a person of color have far lower incomes, on average, than households headed by whites. These disparities dramatize even more the flaws in using AMI as the basis for defining what is "affordable" housing, determining who is eligible for such housing and how much they must pay if they occupy such housing.

In response to organizing, research and advocacy around this issue, in 2007 the City of Boston lowered the IDP income limits to reflect more closely the incomes of residents of the city rather than the HUD AMI. This was a significant step, but is nonetheless limited to just this one source of housing funding. Efforts continue to make the city's median household income the reference point for all of the city's housing policies and programs.

Thus, one of the great opportunities provided by the ACS is for lower-income localities, as well as state and federal policymakers, to assess more precisely and accurately communities' housing needs and to more appropriately target available resources.

Critics of this approach have argued that if municipalities such as Boston, which have median incomes lower than the AMI, begin to base "affordable" housing policies on local incomes, this could provoke high-income communities to use their local incomes rather than the AMI, resulting in fewer housing opportunities for truly low-income households. However, because nearly all local housing resources come directly from federal or state programs or are locally-generated but under state enabling statutes, localities must target the resources to households with incomes *no greater* than specified percentages of the AMI. That is, AMI sets a ceiling, not a floor. Lower-income communities that use their local median as the reference are operating within federal and state income limits, but higher income communities may not go above the federal or state limits.

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