Britt Crum-Cano

From:	Tom Markus
Sent:	Thursday, June 30, 2016 11:10 PM
To:	Diane Stoddard; Casey Toomay; Britt Crum-Cano; Scott McCullough; Toni Wheeler; Bryan Kidney; Brandon McGuire
Subject:	Fwd: Letter re: Stewarding Affordable ownership units
Attachments:	733352F1-FFD6-4E06-8CE0-BDE7547390AD.pdf

FYI

Sent from my iPhone

Begin forwarded message:

> **From:** "Rebecca Buford" <rbufordefird@yahoo.com>
> **To:** "Tom Markus" <tmarkus@lawrenceks.org>
> **Subject: Letter re: Stewarding Affordable ownership units**
>
> Tom,
>
> This describes and gives examples of how I would define affordability for 1 unit of ownership housing downtown. I think if there are more you would require half to be affordable to 70% Ami and half to 60% Ami.
>
> Rental has to be lower. I would say unit rent plus utilities needs to be affordable at 30% of monthly gross for someone at 50% (60% at the most) or max. HUD rents for multi family housing-whichever is lower. Otherwise most 1 bedroom rentals could be $900 which would not be affordable or meet the needs in this community--rents between 500-750 with 1 and 2 beds and 850 for 3 beds. I will work on some language with examples and charts of income limits and max rents so that you can see what I am talking about.
> Thanks for your interest and efforts!
>
> Rebecca
>
> Rebecca Buford
> Tenants to Homeowners, Inc.
> 785-760-2058

Britt Crum-Cano

From:	Tom Markus
Sent:	Tuesday, July 05, 2016 2:30 PM
To:	Diane Stoddard; Britt Crum-Cano; Casey Toomay; Bryan Kidney; Scott McCullough; Bobbie Walthall
Subject:	Fwd: My suggestions for rental affordability definitions
Attachments:	Rental Affordability Policy Suggestions.docx; ATT00001.htm

Sent from my iPhone

Begin forwarded message:

> **From:** Rebecca Buford <rbufordefird@yahoo.com>
> **Date:** July 5, 2016 at 2:08:11 PM CDT
> **To:** Tom Markus <tmarkus@lawrenceks.org>
> **Subject: My suggestions for rental affordability definitions**
> **Reply-To:** Rebecca Buford <rbufordefird@yahoo.com>
>
> Tom,
>
> I thought a lot about this and I think ownership units should be targeted to 70% MFI and 60% MFI (if more than one is required). For rentals, the fair market rents (based on average rents) are kind of high for a large amount of people we are targeting. Even allowable upper limits of HUD rents are sometimes hard to keep full because they are high for a lot of people. Part of this may be that they are based on averages and Lawrence does not have a lot of people that make the "average income" we have much more lower and a few way higher (as in a lot of the country). Some market analysis to flush this out a little more would be helpful, but that is based on my experience in dealing with the segment of our population that struggles with housing across the board. So between you and me I would rather have a few units with more subsidy that more units with less, that match the average rents anyway. I think developers can then more easily claim they are doing affordable housing when they are still doing something that is feasible without subsidy, but they get tax incentives.
>
> I hope this 1 page policy draft helps as we think of this.
>
> The other issue besides the affordability definition and who manages or monitors the affordable units is the requirement that all mechanical systems and main building materials must be equivalent. Some sort of quality control issue. Most programs allow some cosmetic differences, for example, laminate counter tops instead of marble on the interior, but do not allow the units to look substantially different from the outside or have substandard HVAC and mechanical equipment.
>
> Rebecca
>
> **Rebecca Buford**
> **Executive Director**
> **Tenants to Homeowners, Inc.**
> **The Lawrence Community Housing Trust**
> *Creating Permanently Affordable Housing in Lawrence!*
> **785-760-2058**

Rental Affordability Policy Suggestions

For a working definition of affordable rental units, I would suggest a rent plus utilities (based on a project specific utility allowance for any electric, water and/or gas that is paid by the tenant) must be no more than 30% of the monthly gross of a household making 40% MFI never to exceed the published HUD LOW HOME RENT LIMIT. For a development with more than one unit that is trying to be affordable, they could alternate meeting 40% and 50% MFI for household sizes that fit specific bedroom sizes in the project. So if 10% of a 30 unit project is 3 units that need to be affordable, 2 units would need to target 40% MFI affordability and 1 unit could target 50% MFI affordability.

HUD INCOME LIMITS for 2016 are as follows:

	1	2	3	4	5	6
100% MFI	52,300	59,800	67,300	74,700	80,700	86,700
40% MFI	20,920	23,920	26,920	29,880	32,280	34,680
50% MFI	26,150	29,900	33,650	37,350	40,350	43,350

For Example: A 1 bedroom rental with a utility allowance of $75 would be affordable to a 1 person household at 40% MFI (20,920/12=$1743 monthly gross x 30%= $523-$75 utility) at a rent of $448. The same unit would be affordable to a 1 person household at 50% MFI ($26,150/12=$2179 monthly gross x 30%=$654-$75 utility) at a rent of $579.

Bedroom Size	House Size	Utility Allow Est.	Aff. Rent 40%	Aff. Rent 50%
1 bedroom	1	$75	$448	$579
2 bedroom	2	$90	$508	$657
3 bedroom	4	$105	$642	$829

I am using 40% and 50% because most of the need in Lawrence is at those limits. When you look at Low HOME Rents (which are based on affordability at 65% MFI) some units in Lawrence are available at these rents and there is still a large demand for more affordable rentals. According to Census data 29% of Lawrence households earn less than $25,000 and 40% earn less than $35,000.

Lawrence, KS MSA	Eff	1	2	3	4	5	6
LOW HOME RENT LIMIT	520	639	835	971	1083	1196	1307
Fair Market (Ave.) Rent 2016	520	639	835	1217	1458	1677	1895

These limits include utility allowances, so assuming the utility allowance is $100, then the max. rent would have to be $100 less in all categories. Utility allowances can be estimated using the required HERS reports for all new construction or other methodology allowed by HUD.

Finally, I suggest that we make the affordability period no shorter than 30 years and the city requires a third party who does income verification and reporting on those units at the expense of the developer. But that is something that could be done by a not-for-profit who is used to federal eligibility verification.