

You've been there before: wondering whether or not you'll be able to find a decent apartment or house that you can afford. Will you also have enough money leftover to cover food, gas, medical bills and other things you need? The answer to these questions generally depends upon the income of the family. The less money a family earns, the fewer affordable options available. As family income rises, housing options increase. So what happens if an affordable home is hard or impossible to find?

You aren't the only one asking these questions. Did you know that cities around the country, including Chattanooga, are facing a lack of affordable housing in their communities? Locally, resident and city leaders are exploring ways to create more affordable housing, but what exactly does "affordable housing" mean? Affordable to whom?

Let's start by taking a look at the word "affordable." Affordable is different for everyone. When it comes to renting or buying a home, the U.S. government considers affordability through the 30% rule. This rule states that a person renting or buying a home can afford to spend one-third of their income each month on rent or a mortgage payment. If you are spending more than this amount, you are considered "cost burdened" and may be unable to afford other costs of living, such as gas or food.



This 30% rule stays the same no matter how much money you earn each year. One-third of \$150,000 is a lot more than one-third of \$25,000. And of course, there are a lot more housing options available to someone earning \$150,000 than there are for someone earning \$25,000. This is why many argue that the 30% rule isn't a very good way to measure housing affordability. Nevertheless, this is what the government uses when determining what is "affordable" for affordable housing programs.

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HELPFUL DEFINITIONS

Cost Burdened

A family or household that spends more than 30% of its income on housing. A severely cost burdened family or household spends more than 50% of its income on housing. Nationally, about half of renters spend one-third or more of their income on rent, and one out of every four of renters spends more than half their income on rent. In Chattanooga, 35% of households are cost burdened.

Area Median Income (AMI)

One-half of incomes in an area are above this amount and one-half are below adjusted by family size. The government updates the AMI every year. The AMI is used to determine who qualifies for certain housing assistance programs, such as public housing, Housing Choice Vouchers and PILOT units.

Subsidy

A sum of money or tax benefit given by the government to companies, organizations or individuals to keep the price of a product or service they're selling lower than it normally would be.

Household Versus Family

A family, by the government's definition, is two or more people living together and related by birth, marriage or adoption. That's different from a household, which is just anybody living together or a person living alone. All families are households, but not vice versa. The average family size is over three, so by convention, the government equates the median family income for an area with a four-person family for the purposes of calculating income limits.

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HOW IS HOUSEHOLD INCOME CALCULATED?

When the government says “affordable housing” for programs and development, it means affordable for families in the middle or at the lower end of the income scale who will be expected to pay 30% of their income on their housing. The government calculates income limits for affordable housing programs using Area Median Income (AMI).

What does AMI stand for?

The AMI is what a family right in the middle of the income distribution earns. A family income is a combined income of everyone in the family. A family, by the government’s definition, is two or more people living together and related by birth, marriage or adoption. That’s different from a household, which is just anybody living together or a person living alone.

AREA MEDIAN INCOME PER AREA (2018)	
UNITED STATES	\$71,900
STATE OF TENNESSEE	\$60,900
CHATTANOOGA	\$61,700

The government divides the country into almost 1,000 different areas and calculates a separate AMI for each because housing costs and incomes are different place to place.

Different affordable housing programs target different income categories. These income categories are:

Extremely Low Income

Income between 0 and 30% of AMI adjusted for family size .

Very Low Income

Income that is between 30% and 50% of the AMI adjusted for family size.

Low Income

Income that is between 51% and 80% of the AMI adjusted for family size.

Moderate Income

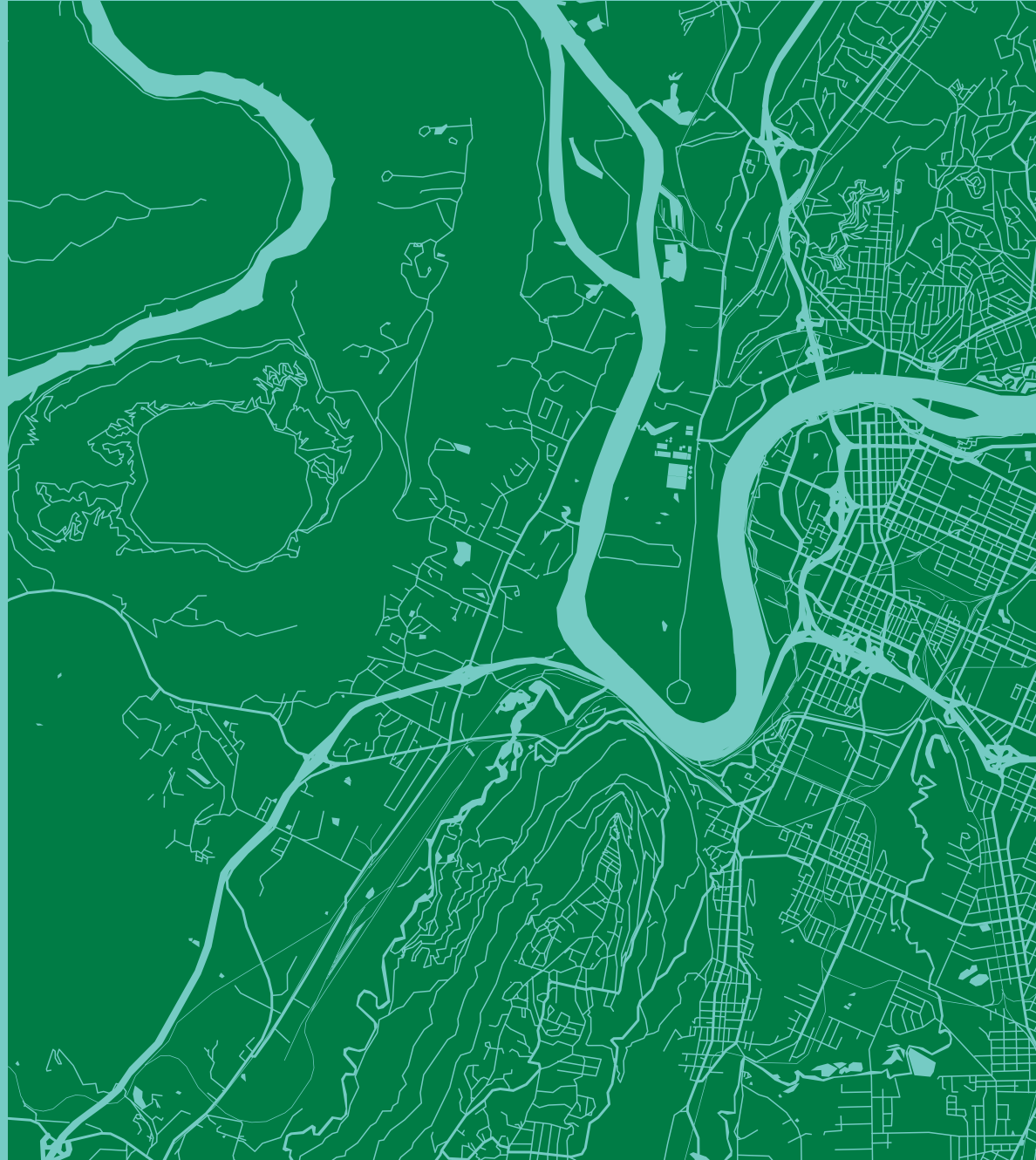
Income that is between 80% to 120% of AMI adjusted for family size.

Middle Income

Income that is between 120% to 250% of AMI adjusted for family size.

High Income

Income that is between 250% of AMI and up.



The charts below show the income levels for Chattanooga families based on family size and the amount of rent that would be considered affordable based on their income.

AMI Income

	1-PERSON FAMILY	MONTHLY LIMIT
30%	\$12,950	\$324
50%	\$21,600	\$540
60%	\$25,920	\$648
80%	\$34,550	\$864

	4-PERSON FAMILY	MONTHLY LIMIT
30%	\$18,500	\$463
50%	\$30,850	\$771
60%	\$37,020	\$926
80%	\$49,350	\$1,234

Entities that receive federal subsidies must account for utility costs using government prescribed allowances. For units that do not receive subsidies, how could our community approach affordable housing while accounting for utilities?

	2-PERSON FAMILY	MONTHLY LIMIT
	\$14,800	\$370
	\$24,700	\$618
	\$29,640	\$741
	\$39,500	\$988

	3-PERSON FAMILY	MONTHLY LIMIT
	\$16,650	\$416
	\$27,800	\$695
	\$33,360	\$834
	\$44,450	\$1,111

	5-PERSON FAMILY	MONTHLY LIMIT
	\$20,000	\$500
	\$33,350	\$834
	\$40,020	\$1,001
	\$53,300	\$1,333

	6-PERSON FAMILY	MONTHLY LIMIT
	\$21,500	\$538
	\$35,800	\$895
	\$42,960	\$1,074
	\$57,250	\$1,431