



The Effect of Alternative Income Measures on Housing Affordability Metrics

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Outline

- Goals
- Methodology
- Results



Goals

- How does changing the income used to calculate Area Median Income (AMI) effect the number of affordable and available rental units?
 - Specifically, look at three different methods
 - HUD's current approach
 - HUD's approach using all household income
 - HUD's approach using all renter family income
 - ~~• HUD's approach using all renter household income~~



Family/Non-Family & Owner/Renter

- 57 of 64 parishes family income is statistically higher than non-family
 - Mean difference is approximately \$13,000
 - Max difference is \$22,000
- 63 of 64 parishes owner income is statistically higher than renter
 - Mean difference is approximately \$32,500
 - Max difference is approximately \$64,000



Methodology

- Create Metropolitan Statistical Areas (MSAs) using Public Use Micro Data Areas (PUMAs)
- Calculate the Area Median Income
- Group Renters
- Group Units
- Determine Availability

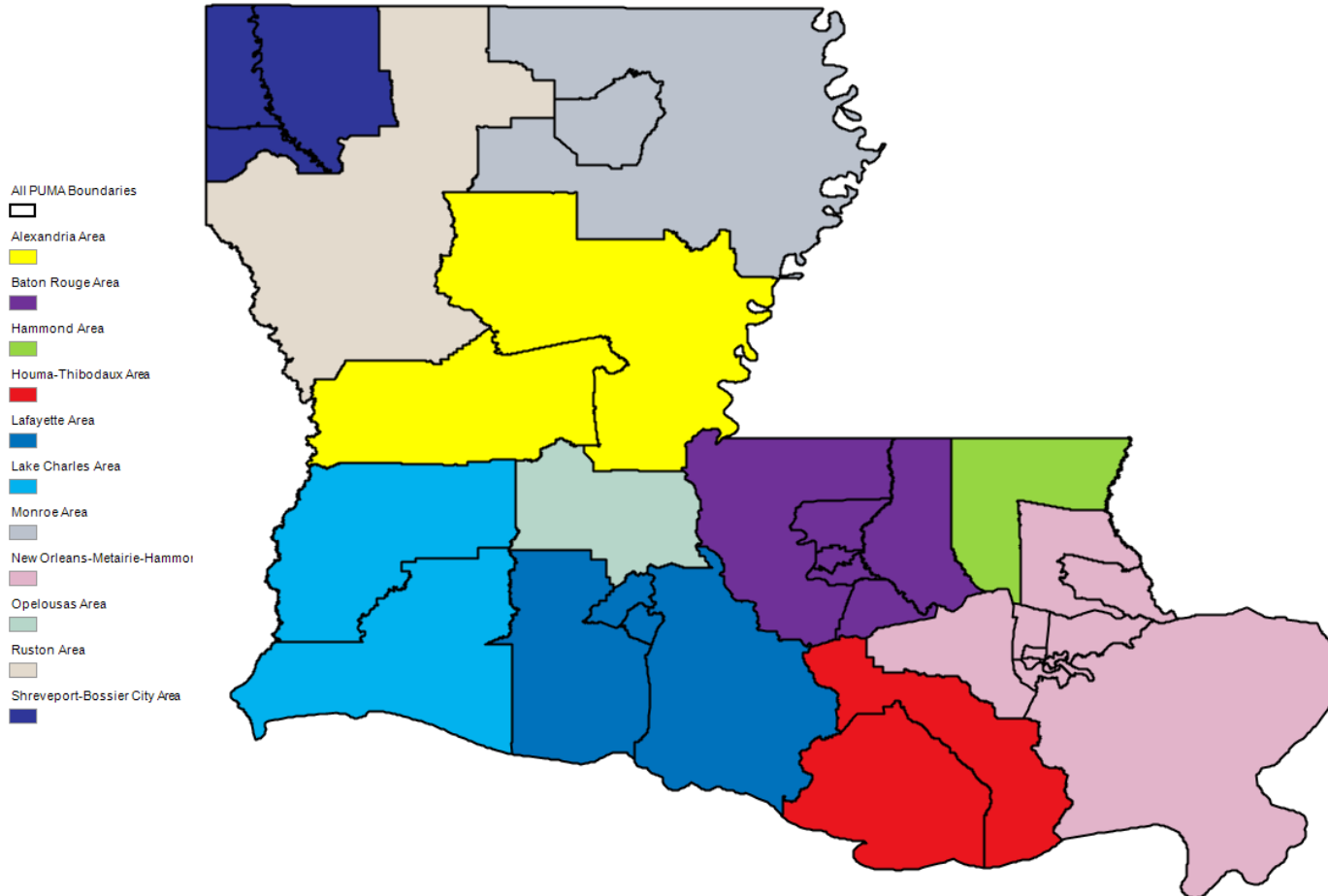


What Are PUMAs

- Statistical geographic areas defined for the dissemination of ACS data
- Nest within states or equivalent entities
- Contain at least 100,000 people
- Are built on census tracts and counties
- Should be geographically contiguous



Study Areas



Renter Households

	Family	Non-Family
Alexandria Area	61.1%	38.9%
Baton Rouge Area	46.5%	53.5%
Hammond Area	45.9%	54.1%
Houma-Thibodaux Area	42.0%	58.0%
Lafayette Area	47.8%	52.2%
Lake Charles Area	52.9%	47.1%
Monroe Area	51.9%	48.1%
New Orleans-Metairie-Hammond Area	47.3%	52.7%
Opelousas Area	58.9%	41.1%
Ruston Area	50.7%	49.3%
Shreveport-Bossier City Area	51.2%	48.8%



Calculate MSA Median Income

- Calculate it from PUMAs
 - Place PUMAs in correct MSA
 - Take only family households
 - Set median as 4-person income



HUD AMI

- Based on Family Incomes
- Weighted by size of household
 - 1 person 70% of AMI
 - 2 person 80% of AMI
 - 3 person 90% of AMI
 - 4 person 100% of AMI
 - 5 person 108% of AMI



Methodology

- Calculate the number of renters making
 - 30% or Less Area Median Income
 - 50% or Less Area Median Income
 - 80% or Less Area Median Income
- Calculate the number of rental units affordable at
 - 30% or Less Area Median Income
 - 50% or Less Area Median Income
 - 80% or Less Area Median Income



Methodology

- Calculate the number of rental units available to renters with
 - 30% or Less Area Median Income
 - 50% or Less Area Median Income
 - 80% or Less Area Median Income
- Find the housing surplus or shortage at the above incomes



Using PUMs Data

- Using reported household income can place household in appropriate income group
- Can calculate rent paid by household
 - Rent
 - Electric
 - Fuel
 - Gas
 - Water



HUD Affordable Rent

- Based on AMI
- Weighted by number of bedrooms
 - 0 bedrooms 70% AMI
 - 1 bedrooms 75% of AMI
 - 2 bedrooms 90% of AMI
 - 3 bedrooms 104% of AMI
 - 4 bedrooms 116% of AMI
 - 5 bedrooms 128% of AMI



Different AMIs

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Alexandria Area	\$53,350	\$44,287	\$30,898
Baton Rouge Area	\$73,434	\$58,500	\$33,988
Hammond Area	\$61,281	\$48,407	\$33,576
Houma-Thibodaux Area	\$73,125	\$59,942	\$37,077
Lafayette Area	\$66,945	\$49,437	\$57,676
	\$69,005	\$53,556	\$30,898
Lake Charles Area	\$72,280	\$55,616	\$33,988
Monroe Area	\$57,882	\$48,407	\$28,220
	\$49,437	\$35,018	\$31,928



Different AMIs

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
New Orleans-Metairie-Hammond Area	\$73,434	\$57,264	\$39,961
Opelousas Area	\$48,304	\$38,107	\$26,881
Ruston Area	\$52,526	\$39,395	\$28,220
Shreveport-Bossier City Area	\$60,148	\$46,347	\$32,237



2-BR Monthly Rent under Different Income Bases

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
New Orleans-Metairie-Hammond Study Area			
30% AMI	\$496	\$387	\$270
50% AMI	\$826	\$644	\$450
80% AMI	\$1,322	\$1,031	\$719
Shreveport-Bossier Study Area			
30% AMI	\$406	\$313	\$218
50% AMI	\$677	\$521	\$363
80% AMI	\$1,083	\$834	\$580



Affordability

- Compare rent paid to HUD rent, and see if unit is affordable at 30%, 50% or 80% AMI
- Use cost burden of 30%



New Orleans Affordability Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 30% AMI	21,493	16,131	10,226
Rental Households With 30% or Less of AMI	51,324	39,046	24,677
Surplus (Deficit) of Affordable Units	(29,831)	(22,915)	(14,451)
Affordable Units per 100 tenants at or below 30% of AMI	42	41	41



New Orleans Affordability Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 50% AMI	46,770	30,244	18,675
Rental Households With 50% or Less of AMI	80,171	65,619	47,884
Surplus (Deficit) of Affordable Units	(33,401)	(35,375)	(29,209)
Affordable Units per 100 tenants at or below 50% of AMI	58	46	39



New Orleans Affordability Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 80% AMI	142,349	87,379	34,759
Rental Households With 80% or Less of AMI	110,020	94,357	71,197
Surplus (Deficit) of Affordable Units	32,329	(6,978)	(36,438)
Affordable Units per 100 tenants at or below 80% of AMI	129	93	49



Availability

- Can also see how households have sorted in rental market
- Overspending
- Under spending
- Units occupied by household making more than 30% of AMI are unavailable



New Orleans Available Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 30% AMI	21,493	16,131	10,226
Rental Households With 30% or Less of AMI	51,324	39,046	24,677
Surplus (Deficit) of Affordable Units	(29,831)	(22,915)	(14,451)
Affordable Units per 100 tenants at or below 30% of AMI	42	41	41
Units Affordable & Available at 30% AMI	11,961	7,079	2,870
Affordable & Available Units per 100 tenants at or below 30% of AMI	23	18	12
Surplus (Deficit) of Affordable & Available Units	(39,363)	(31,967)	(21,807)



New Orleans Available Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 50% AMI	46,770	30,244	18,675
Rental Households With 50% or Less of AMI	80,171	65,619	47,884
Surplus (Deficit) of Affordable Units	(33,401)	(35,375)	(29,209)
Affordable Units per 100 tenants at or below 50% of AMI	58	46	39
Units Affordable & Available at 50% AMI	32,569	19,680	10,022
Affordable & Available Units per 100 tenants at or below 50% of AMI	41	30	21
Surplus (Deficit) of Affordable & Available Units	(47,602)	(45,939)	(37,862)



New Orleans Available Results

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
Affordable at 80% AMI	142,349	87,379	34,759
Rental Households With 80% or Less of AMI	110,020	94,357	71,197
Surplus (Deficit) of Affordable Units	32,329	(6,978)	(36,438)
Affordable Units per 100 tenants at or below 80% of AMI	129	93	49
Units Affordable & Available at 80% AMI	100,313	61,724	23,915
Affordable & Available Units per 100 tenants at or below 80% of AMI	91	65	34
Surplus (Deficit) of Affordable & Available Units	(9,707)	(32,633)	(47,282)



Affordable Units per 100 Tenants Under Different AMI Calculations

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
New Orleans-Metairie-Hammond Study Area			
30% AMI	42	41	41
50% AMI	58	46	39
80% AMI	129	93	49
Shreveport-Bossier Study Area			
30% AMI	81	107	74
50% AMI	80	73	95
80% AMI	137	111	75



Available Units per 100 Tenants Under Different AMI Calculations

	HUD Approach	HUD Methodology using All Household Income	HUD Methodology using Renter Family Income
New Orleans-Metairie-Hammond Study Area			
30% AMI	23	18	12
50% AMI	41	30	21
80% AMI	91	65	34
Shreveport-Bossier Study Area			
30% AMI	22	21	9
50% AMI	51	37	23
80% AMI	97	78	46



Conclusion

- Results appear to be driven by the greater loss of affordable units compared to renters
 - Need to examine how rents cluster and how that drives the loss of affordable units
 - Examine Urban vs Rural



Thank You

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