

The Federal Definition

The U.S. Department of Housing and Urban Development (HUD) calls housing costs—rent plus basic utilities or mortgage, tax and insurance payments—affordable when they consume no more than 30% of a household's income¹. Households are deemed by HUD to have an affordability problem, or cost burden, if they pay more than 30% of income for housing; those paying over 50% are said to have a severe cost burden.

Under these definitions:

- ▶ A family earning greater Boston's estimated 2002 median income—\$74,200—can afford to spend about \$1,850 a month on housing, enough to purchase a home in the \$240,000-270,000 range, but far short of what would be required to purchase the median priced house, which was \$358,000 through the first quarter of the year.²
- ▶ The average starting salary for a school teacher in Massachusetts is about \$32,000. (S)he can afford to pay \$800 per month for housing.
- ▶ A full-time worker earning the minimum wage earns about \$11,000 a year and a family of three receiving Transitional Assistance to Families with Dependent Children (TAFDC) receives about \$7,000. There is no place in greater Boston where these households—who can “afford” to pay only \$273 and \$174, respectively, in rent each month—could find accommodations in that price range in the private market.³

Most housing assistance programs are targeted to low and moderate income households, defined by HUD until the mid-1990s as those earning up to 80% of the area median. HUD now considers 80% the ceiling for low income (and classifies as moderate income those earning up to 95%). In common usage, and under the State's Comprehensive Permit Law (MGL Chapter 40B), those earning less than 80% of median income are still considered low and moderate income and will be described as such in this guide, unless otherwise noted. Most programs also set a cap on allowable rents (called fair market rents, or FMRs) and home prices to ensure that program participants are not cost burdened.

The Massachusetts Dimension

Housing may be affordable without being subsidized under a specific state or federal program, and most low income families do not live in subsidized housing. However, to count as affordable under the Comprehensive Permit Law, the housing must involve some government subsidy, even if just in the form of state-rendered technical assistance. This statute, enacted more than 30 years ago to facilitate development of low and moderate income housing, established an affordable housing goal of 10% for every community in the Commonwealth. For purposes of determining whether a community has met the 10% standard, the State defines affordable, or low or moderate income housing, as housing developed with a state or federal subsidy or financing mechanism, in which at least 25% of the units are reserved for households

There are many ways to define affordable housing, but the most widely accepted definition is that used by the federal government.

Recent regulatory changes to 40B allow accessory dwelling units and other innovative, non-subsidized approaches to count in certain circumstances. Be sure to check the Department of Housing and Community Development's website for the latest guidance on what is allowed
www.state.ma.us/dhcd

with incomes not exceeding 80% of the area median income and which restricts rents or home prices for a specific period of time (generally at least 30 years for new construction and 15 years for rehabilitation).⁴ Open and fair marketing is required. Donation of town-owned land or technical assistance provided by the Massachusetts Department of Housing and Community Development (DHCD), in conjunction with the Local Initiative Program, are also considered eligible forms of public subsidy.

In May 2002, the Massachusetts Supreme Judicial Court issued an important decision concerning Chapter 40B in the case of the Zoning Board of Appeals of Wellesley vs. Ardmore Apartments. The Town of Wellesley had filed suit to ensure the continued affordability of a project developed under a state subsidy program twenty years earlier. The 36-unit mixed income rental property received a comprehensive permit in 1982. Its 15-year affordability restrictions ended in 2000, and the owner sought to convert the 9 low income units to market rate. In ruling in the town's favor, the SJC affirmed:

“where a comprehensive permit itself does not specify for how long housing units must remain below market, the [Comprehensive Permit Law] requires an owner to maintain the units as affordable for as long as the housing is not in compliance with local zoning requirements, regardless of the terms of any attendant construction subsidy agreements.”

DHCD maintains an inventory of all subsidized units by community. As used in this report, the term affordable housing refers to housing included, or eligible for inclusion, on the State's subsidized housing inventory (SHI). The terms subsidized and qualified housing may also appear, with the same meaning. Lower cost, or moderately priced, units may also be provided by the private market, with no restrictions on occupancy. Such units (referred to in this document as lower cost or moderately priced) are not eligible for inclusion in the SHI, even though they may serve low and moderate income households.

The Growing Problem of Housing Affordability

Increasingly, cities and towns are finding it difficult to meet the housing needs of people who earn more than 80% of median, and many have developed strategies to accommodate a much broader range of incomes. In fact, several of the state's newest affordable housing funding mechanisms allow communities to serve higher income populations⁵: the Community Preservation Act can be used to benefit households earning up to the area median income and the Affordable Housing Trust Fund can go up to 110%. Executive Order 418 recognizes efforts to serve those earning up to 150% of median income as important components of a balanced housing strategy.

The 2002 area median income (AMI) for a family of four in greater Boston is \$74,200; in the greater Springfield area it is \$50,700. Eligibility for many types of housing assistance is limited to those earning less than 80% of the median, with adjustments made for family size. The following charts show the current maximum allowable income and rent levels for the Boston and Springfield metropolitan areas. See Appendix A for additional information on housing affordability, income eligibility and fair market rents in other parts of the state.

80% of Area Median Income

Metropolitan Area	4 person	3 person	2 person	1 person
Boston metro area	\$58,300	\$52,500	\$46,650	\$40,800
Springfield metro area	\$41,700	\$37,500	\$33,350	\$29,200

The current fair market rents (FMRs) for the Boston and Springfield areas are:

Metropolitan Area	Studio	1-BR	2-BR	3-BR	4-BR
Boston metro area	\$887	\$999	\$1250	\$1563	\$1835
Springfield metro area	\$421	\$520	\$ 657	\$ 821	\$1010

¹ Specifically, the Department of Housing and Urban Development (HUD) defines rental housing as affordable when rent (including such basic utilities as heat, electricity and cooking fuel) consumes no more than 30% of a household's net, or adjusted, income. The definition of net income varies by program, but it generally means gross income less a small deduction per dependent with additional deductions for childcare costs, extraordinary medical expenses, etc. For homeownership, mortgage lenders typically target 28-33% of gross household income as the maximum carrying cost for the purchase of a home (covering payment of principal, interest, taxes, and insurance).

² National Association of Realtors

³ The conventional approach to housing affordability—30% for all households regardless of size or income—does not recognize that larger and lower income households cannot realistically afford that much without compromising their other, non-housing, needs while smaller and higher income households can afford more than that amount without hardship. Professor Michael Stone of the University of Massachusetts/Boston (UMass) has developed an alternative approach called the “shelter poverty scale.” This approach calculates a conservative minimum standard of adequacy for non-housing necessities, scaled for differences in household size and type, to determine what a household can reasonably spend for housing. For more information, go to the UMass website at: www.donahue.umassp.edu and click on *publications*.

⁴ In rental developments, all units in the development count, even those rented at market rates; in homeownership projects, only the affordable units count. Some MassHousing financed rental developments may be eligible for comprehensive permits with only 20% of the units “affordable,” if they are restricted to tenants earning less than 50% of the area median. See Appendix B for a description of various financing programs.

⁵ Only those units serving households earning 80% or less of the area median will be counted on the State Housing Inventory.