

Money Matters

Index: Stocks C2

Datebook C9

What does 'affordable housing' actually mean?

THE CHAMBER VIEW

by Pamela Tumpap



While you hear about "very low to moderate income levels" and various percentages dealing with "adjusted median household income" in affordable housing discussions, it's hard to translate what that really means in terms of affordable home prices. It's quite confusing and not generally understood. That's because there are many variables — annual AMI changes, interest rates, loan terms, down payments, etc.

percent of the AMI. — 80 to 100 percent of the AMI. . Low income — 50 to 80 percent of the AMI. . Below-moderate income

Housing affordability is based on the purchasing power of a household income. It is calculated on the U.S. Department of Housing and Urban Development (HUD) Area Median Household Income (AMI).

Maui County's AMI for 2006 is \$65,700. This is our basis for looking at housing affordability. How a household's income compares to this amount by percentage is what the county looks at in terms of a household's income level and what it can afford.

The County Council's workforce housing bill classifies the income categories based on a household gross annual family income (which the department may adjust Hana, Lanai, and Molokai) as follows:

Very low income — 50

HOW MUCH CAN A MAUI FAMILY AFFORD TO PAY FOR A NEW HOME?

THIS CHART provides a look at what price a family on Maui might be able to pay for a home given its income level. The analysis assumes a family of four, purchasing a single-family home with a 30-year fixed mortgage at an interest rate of 6.5 percent and putting 5 percent down and adding in normal housing expenses, taxes and insurance. The income variable ranges from 50 percent to 160 percent of the county's median income, which is \$65,700.

% of median income	50	60	80	100	120	140	160
Income	\$32,850	\$39,420	\$52,560	\$65,700	\$78,840	\$91,980	\$105,120
Sales price	\$115,500	\$145,600	\$205,700	\$260,900	\$321,100	\$381,300	\$457,200

Source: Maui Chamber of Commerce

percent of the AMI. — 80 to 100 percent of the AMI. . Low income — 50 to 80 percent of the AMI. . Below-moderate income

percent of the AMI.

The accompanying chart provides an idea of the home prices that families (of four people) in the different income categories might be able to afford. The chart reflects the sales price of a housing unit that a family might be able to afford, with an interest rate of 6.5 percent on a 30-year mortgage (fixed rate at zero discount points), a 5 percent down payment for those earning 140 percent or less of median income and a 10 percent down payment for those earning more than 140 percent of median income. A homebuyer can expect other basic housing expenses while mortgage payments also normally will include property

See **CHAMBER** on Page C6

Chamber

Continued from Page C1

taxes and homeowners insurance.

Families whose earnings are below 80 percent of the AMI will have extreme difficulty affording a home and will require more assistance and subsidies. Families whose incomes are 80 percent-plus can generally afford a home as they are better able to meet financing eligibility requirements.

Homeownership is often the

biggest investment families make in their lifetime. The goal is to not only get our residents in homes, but to also see them make the most of this valuable asset. Allowing for lifestyle changes and upward mobility is important.

On average, families move every five to seven years for numerous reasons (job, divorce, school, growing family size, etc.). They need the ability to sell their home to meet their changing needs. Currently, deed restric-

tions in the council's work force housing bill present challenges for upward mobility. The chamber would like to see this aspect of the bill addressed, along with our other concerns, including the high affordable requirements and in-lieu fees.

Everyone agrees that affordable housing is needed. The question before the community is what is the best approach to ensure that affordable units are actually built?

This past Wednesday, the mayor wrote an Open Letter to the Maui Business Community stating that the County Council's proposed affordable housing policy, as currently drafted, will not achieve its stated goal — homes our families can afford. He discusses the negative impacts to our economy and notes the very real possibility of the housing industry being stopped by this bill. He cites the main problems with the proposed policy as a 40 to 50

percent "affordable housing" requirement on almost all projects, a fee of \$190,500 in lieu of each required unit for projects that cannot build actual homes, and the provision that the council has a year and a half to decide the fate of any given project. He further details how these requirements are being made despite the nearly unanimous opposition of the industry. The mayor writes, "While the council's stated goal is to create more 'workforce

housing, what really will happen is that fewer homes will be built, they will cost more, not less, and the county will have less ability to direct them to where the community needs them."

We agree and urge the community to ask the council to correct the bill — to pass legislation that ensures continued development of truly affordable housing for our residents and businesses.

■ Pamela Tumpap is president of the Maui Chamber of Commerce.