

Appendix III: How Affordability by Tenure Was Calculated for This Study

Ulster County Housing Strategies Report
Ulster County Housing Consortium
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According to guidelines of the U.S. Department of Housing and Urban Development (HUD), housing is affordable for owner occupied housing if not more than 30% of a household's gross income is spent on housing costs.¹ For renter units, the HUD standard is that no more than 30% of a renter household's income should be spent on rent and utilities (including fuel for heat, hot water and cooking, electricity for lights, water and waste water charges, and trash removal).

Also for the purposes of this study, the term moderate income households refers to those households earning between 80% and 100% of the county household income average. The definition of low-income households in this study refers to those households with income between 50% and 80% of the county's estimated median. Very low-income households are those households in the county with incomes less than 50% of the Ulster County—a level somewhat lower than the 60% level corresponding to the household income level for so-called "Section 8 vouchers" for renters.

For 2004, the estimated Median Household Income was \$49,213—somewhat below the \$56,500 median family income estimated by HUD for the 2004 federal fiscal year (Which our analysis indicates is too high given data from the U.S. Census Bureau for household income). Median Household Income for each sample community identified in this analysis was estimated in two steps. The first involved using household income conversion factors from the 2000 Census (which includes money income from calendar year 1999). The second included a series of factoring calculations that recognized the relative rate of historical rate of household income growth in each individual community in the study area over the 1989-1999 period vis-à-vis the broader Ulster County area.

Using the HUD household income benchmark, estimates of various housing costs for owners and renters were developed using a variety of primary and secondary research to establish representative housing expenses for key categories for those who both own and rent their housing in the county and the sample communities. Tables Appendix Table III-1 through Appendix Table III-2 show the detail of these key housing expenditure categories by tenure category for the county as a whole.

¹ It should be noted that the American Planning Association uses a 28% of household income threshold for affordability for owner housing. This study uses the HUD 30% threshold and a generally broader definition of housing costs because home-owners also must pay utilities, real estate taxes as well. We also used the 30% 30% benchmark for renter units as well.

For owners, these categories include expenditure items such as insurance and taxes, and including an estimated affordable mortgage payment amount (assuming a 5% down payment), assuming a 5.78% mortgage interest rate (for a 30-year, 5% down payment mortgage loan) as determined through a survey of lenders operating in the county during the Spring of 2005 period. This affordable mortgage payment calculation, net of other housing expenses listed above, was necessary to back-calculate the maximum affordable housing price amount by average household income class. This affordable housing price was then compared to the number of single family housing units sold at or below those calculated amounts in the county and for each sample community over the 1997-2005 time frame in order to get an estimate of the sales profile of arms-length transactions for single family homes over the study period.

Data for owner units was calculated for the sample communities as well for this study. These data were used in the single family home sales analyses presented in Section II. **Overview of Recent Housing Price Trends in the County** of this study.

Table Appendix III-1. Affordable Home Purchase Price by Selected 2004 Incomes

<i>Ulster County</i>	A	B	C	D
<i>% of Median HH Income</i>	50%	80%	100%	120%
Annual HH Income	\$24,606	\$39,370	\$49,213	\$59,055
<i>Monthly Utility Expense (Excluding Telephone)</i>	\$108	\$123	\$127	\$136
<i>Monthly Income</i>	\$1,943	\$3,158	\$3,974	\$4,785
<i>% of Income for Payments</i>	30%	30%	30%	30%
<i>Affordable Payments</i>	\$583	\$947	\$1,192	\$1,436
<i>Insurance Rate (Per \$1,000 in Value in 2004)</i>	\$4.41	\$4.41	\$4.41	\$4.41
<i>Insurance per Month</i>	\$26	\$43	\$54	\$64
<i>Tax Rate Per \$1,000 (2004)</i>	\$26.80	\$26.80	\$26.80	\$26.80
<i>Real Estate Taxes per Month</i>	\$160	\$259	\$326	\$391
<i>Affordable Mortgage</i>	\$397	\$645	\$812	\$980
<i>Mortgage Rate (December 2004 Average)</i>	5.78%	5.78%	5.78%	5.78%
<i>Term (In Years)</i>	30	30	30	30
<i>Mortgage Value</i>	\$67,859	\$110,295	\$138,807	\$167,452
<i>Downpayment Percent</i>	5.00%	5.00%	5.00%	5.00%
<i>Downpayment</i>	\$3,572	\$5,805	\$7,306	\$8,813
<i>Affordable Home Price (2004)</i>	\$71,431	\$116,100	\$146,112	\$176,265
<i>Estimated Median Prices of Home Sales (2004)</i>	\$190,000	\$190,000	\$190,000	\$190,000
<i>Affordable Housing Price Gap</i>	(\$118,569)	(\$73,900)	(\$43,888)	(\$13,735)
<i>Number of Arms Length Home Sales Priced Below the Affordable Level (2004)</i>	143	312	487	758
<i>Percent of Total</i>	8.3%	18.1%	28.2%	43.9%
<i>Number of Arms Length Home Sales Priced Above the Affordable Level (2004)</i>	1,584	1,415	1,240	969
<i>Percent of Total</i>	91.7%	81.9%	71.8%	56.1%

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For renters, a very similar reverse-calculation was undertaken, recognizing that renters spend significantly less (roughly one-fourth as much on utilities according to the Northeast U.S. Consumer Expenditure Survey for 2002-03 from the U.S.

Department of Labor) for utilities than those households who own their own homes. The affordable rent-utilities payments amounts were then compared to the estimated 2004 median rent in the county for renter units. The results of this analysis are presented in the table below.

Table Appendix III-2. Affordable Rent Levels by Selected 2004 Incomes

<i>Ulster County</i>	A	B	C	D
<i>% of Median HH Income</i>	50%	80%	100%	120%
Annual HH Income	\$24,606	\$39,370	\$49,213	\$59,055
<i>Monthly Utility Expense (Excluding Telephone)</i>	25	29	30	32
<i>Monthly Income</i>	\$2,000	\$3,223	\$4,041	\$4,858
<i>% of Income for Rent Payments</i>	30%	30%	30%	30%
<i>Affordable Rent</i>	\$600	\$967	\$1,212	\$1,457
<i>Estimated 2003 Median Rent</i>	\$740	\$740	\$740	\$740
<i>Estimate of Year-Round Rental Units Below</i>	7,128	17,023	20,431	21,843
	32.0%	76.5%	91.8%	98.1%

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