

What Does “Affordable Housing” Really Mean?

To have a meaningful discussion it’s often necessary to make sure everyone isn’t just using the same word but also the same definition. Such is the case with ‘affordable housing.’ Myths and mis-information abound; what does it really mean?

Simply put, it means a buyer can *handle* the mortgage payment with enough margin left in the budget for other necessities (food, transportation, etc.). HUD* explains it this way: “Housing that is affordable is generally defined as housing a household can afford spending no more than 30% of their income.” A quick way to simplify the calculation is to use three times gross income.

That’s important, because housing is being developed across Lake County at a breath-taking rate. Can the people working here afford to buy one of these new homes? Below is some useful data for discussing affordable housing in Lake County. (To clarify, ‘median’ isn’t the same thing as ‘average’; median is the midpoint: half are higher, half are lower. Median Sold Price and Median Advertised Salary are from Elevate Lake’s Economic Indicators Q1 Ending March 2024**.)

| | |
|--|------------------|
| March ‘24 Median Sold Price for a home: | \$399,999 |
| To be ‘affordable’ this would require a salary of: | \$133,333 |
| The March ‘24 Median advertised Salary in Lake County: | \$ 40,576 |
| This median advertised salary is short this much: | \$ 92,757 |

Below is a chart showing what HUD’s definition of affordable looks like at various income levels. It assumes 2080 paid hours--a 40 hour workweek, 52 weeks per year. This chart is meant to frame the issue and doesn’t take into account specifics of debt-to-income ratios, interest rates, etc.

What do you think? With these numbers, can we recruit/retain teachers, firefighters, nurses, HVAC techs, and other jobs that a vibrant economy needs if those employees can’t afford to live here?

While buyers *could* lower their mortgage via a significant down payment, is that realistic based on this data?

The takeaways:

1. When having discussions about affordable housing, please keep HUD’s definition as the reference point: 30% of gross income; or, simplified, three times gross salary.
2. ‘Affordable’ is a BUDGET term: it’s not a CONSTRUCTION term and it doesn’t have anything to do with the quality of a home. **It simply refers to the payment relative to the buyer’s income.**
3. Remember, all homes must be built to code; all homes must go through the same inspections, zoning approvals, and more.

As elected officials we know this topic is coming at you from several directions. By clarifying the definition of ‘affordable’ and asking, ‘Affordable for who?’ we hope that conversations on this topic, whether with constituents or with developers proposing a new project, will lead to real solutions that make homeownership possible for those who make our communities possible.

*https://www.hud.gov/program_offices/comm_planning/affordable_housing_barriers

** Elevate Lake: <https://elevatelake.com/content/pdfs/economic-indicators/2024/Lake%20County%20Economic%20Indicators.Q1.2024.FINAL.ADA.pdf>

Note: Lake County is included in the Kissimmee-Orlando-Sanford MSA; this skews the income and home prices at the local Lake County level. Elevate Lake offers the most current county-specific data at this time.

| Gross Income | | Mortgage Max |
|--------------|------------|------------------|
| Hourly | Annual | 3 x Gross Income |
| \$ 15 | \$ 31,200 | \$ 93,600 |
| \$ 20 | \$ 41,600 | \$ 124,800 |
| \$ 30 | \$ 62,400 | \$ 187,200 |
| \$ 40 | \$ 83,200 | \$ 249,600 |
| \$ 50 | \$ 104,000 | \$ 312,000 |
| \$ 60 | \$ 124,800 | \$ 374,400 |
| \$ 64 | \$ 133,120 | \$ 399,360 |