Affordable Housing Taskforce

September 24, 2018

Minutes

The Taskforce met at 11 AM in New Haven City Hall's Meeting Room 1, In attendance were: Aaron Greenberg, Facilitator; Taskforce members: Serena Neal-Sanjorjo, Erin Kemple, Otis Johnson, Jr., Dolores Colon, Edward Mattison, Karen Dubois-Walton, Bonita Grubbs; and

Presenters: Peter Kahn, Director of Economic Market Analysis Division of the United States Department of Housing and Urban Development; and Michael Santoro, Community Development Specialist Connecticut Department of Housing Office of Policy, Research and Housing Support.

Guests: including Representatives from Community Economic Development (CED) Unit, New Haven Legal Assistance Association, Inc, Mothers & Others for Justice, Urn Pendragon

Facilitator Greenberg welcomed everyone and asked everyone to introduce themselves. He welcomed the presenters and asked Mr. Kahn to present first.

Mr. Kahn presented a package of slides to explain HUD's program parameters. He gave a brief explanation of his role at HUD. He explained that he has been with HUD for 13 years. He explained his department calculates the parameters for HUD's programs including income requirements and fair market rents and loan limits and inflation related parameters. He noted that while his department calculates the parameters they do not run the programs and that once they calculate eligibility there is no leeway or discretion. One either qualifies or doesn't. He explained that most of what they do is driven by statute and statutory definitions. He explained that statute defines low income, very low income extremely low income based on percentage of area median income and federal poverty guidelines. He noted that 75% of new admits to any tenant-based assistance-based programs (i.e. vouchers, are to be targeted at the extremely low income. And for public housing should be 40% targeted. He noted that Low income tax credit program is an IRS program not at HUD program. He note that the IRS references to median income in its program are HUD's program parameters. He explained that the tax credit developers when they are developing a housing unit have the election to do 20% of their units at 50 percent of area median income or 40 percent of their units at 60 percent of area median income. (20/50 or 40/60) and He added that tax credit developers also calculate maximum rent that can be charged for tax credit unit from HUDs income limits so if you have a tenant who is trying to rent at 60% percent unit and unit charges maximum rent but income is less than threshold then tenant is going to be paying more than 30 % of their income immediately.

Member Kemple explained that the Low Income Tax Credit program requires the owners to accept Section 8. In Connecticut it is illegal to discriminate against Section 8. Nationwide even if its not illegal in the municipality or state if it's a low income tax credit project its illegal to discriminate against Section 8.

Mr. Kahn explained that HUD calculates income limits and area median income by getting data from the census bureau which captures information from the American Community Survey by address which provides the basis for a area median family income amount. 2018 data was based on information collected in 2015 and released at end of 2016. HUD takes those incomes and because of the age of data when its used for the program parameter it is inflated based on expected growth in CPI between the ACS year and the fiscal year for which the limits are published based on the forecast from the congressional budget office. They then take that area median family income estimate and the calculate the income limits starting with very low because that has the most fundamental grounding in the statutory language. He noted that there are some additional statutory adjustments are made including one for areas of high construction costs. Those areas may have the income limit raised up above what the data might suggest. He noted that over the years it has morphed itself into a "high housing costs adjustment" where the level of income is compared to the fair market rent parameter and HUD adjust the income limits upwards if the mathematical relationship there tells us them to. For example, he said if a family paying 35% of that income limit level could not cover 85% of the rents that are at the fair market rent level they raise that limit up so that that relationship holds. He noted they add those adjustments to the "very low income" levels and then calculate the other income limits based on the 50% income limits; they calculate the 80% benchmark as a function of the 50%, and the 30% as as a function of the 50%. They get the federal poverty guidelines from the department of Health and Human Services which come out roughly the 3rd week of January every year.

Member Kemple asked if the income limits were also broken out by family size.

Mr. Kahn responded that they are and that HUD publishes them for family sizes 1-8 and has the rules for how you calculate them for families greater than 8. He explained the website has an online documentation system that walks through calculation of area media income and income limits for every area of the country. He noted they added a family size calculator that goes up to a family size of 30 for the extremely low income limits for the larger size families because they found that the slope of the federal poverty guidelines is different than the slope of the very low income limits for the large family sizes.

Mr. Kahn than explained that HUD sets metropolitan area definitions

Urn Pendragon asked about area median incomes calculations and if they included consideration of incomes that are outliers on the high side.

Mr. Kahn explained that it's a median so it's the amount where 50% families below and 50% families are above.

Mr. Kahn explained that HUD sets metropolitan area definition and showed a map that included information prior to the 2000 decennial census. He noted that then the metropolitan area boundaries could cross county boundaries but beginning in 2000 decennial census Office of Management and Budget, the office responsible for calculating and determining metropolitan areas, changed their standards so that metropolitan area boundaries are contiguous with counties. He noted that however since HUD runs housing programs in terms of affordable housing HUD looked at the old definitions and asked if the underlying rents and incomes sufficiently differed so that they would change the program parameters solely by collapsing these area definitions and if they had enough data to continue maintaining these program parameters. He noted that they meant that while the current metropolitan area definition from OMB is all of New Haven county HUD maintains a three metropolitan area split of New Haven county. He explained while New Haven and Milford have very close program parameters from an income perspective, Waterbury has much lower incomes so if they combined all those areas back together New Haven and Milford would have suffered because the incomes would have gone way down so we maintained those three area definitions for the purpose of HUDs income limits and fair market rents.

Facilitator Greenberg asked if that means the in New Haven county for the purpose of calculating AMI there are actually 3 areas.

Mr. Kahn responded that that is correct.

Member Kemple asked about if the Fair Market Rent (FMR) calculation is designed to make sure that people can afford 85%.

Mr. Kahn said no, the FMR is used in the calculation of the high housing cost adjustment for income units. He added that the FMR is set at the 40th percentile of the distribution of gross rents in the area in question. So approximately 40% of rental units in a given FMR area have gross rents (rent for the unit plus the necessary utilities) at or below the FMR and by design 60% of the units have gross rents above the FMR.

Member Kemple asked if the map was the FMR area.

Mr. Kahn explained it was the FMR area and the income limit areas. He added they try to keep those in sync unless there is a statutory requirement not to.

He added that FMR is a rent statistic for HUDs voucher program. The tax credit units use HUD's income limits to calculate the maximum rent they can charge subject to the potential to have to accept a Section 8 voucher. This is the maximum they can charge whether they choose to charge that or not is a different question. The maximum they can charge lets assume they are a 50% election have units at 50% of ami . assume 1 and ½ per bedroom / So for a two bedroom they would look a t the 3 person income limit. They would divide that annual income limit by 12 to get a monthly figure and they would multiply that ½ of the annual income by . 3 (30%) and that is how they set the maximum that they can charge for the unit. but that has nothing to do with what he tenant actually earns.

Mr. Kahn explained we are setting the program parameters for the voucher program not for the tax credit program. IRS and the Treasury said HUD has a statistic that we can use. for the purposes of operating the tax credit program. We used to have rules baked into to the way we calculated tax credit units because of that linkage. There used to be a hold harmless provision which meant that the income limits could never go down because the tax credit world used those to calculate maximum rents. They were worried in the income limits went down the maximum rents would go down and therefore they could not meet their debt service and maintenance obligations. That was the party line. With the 2014 Housing and Economic Recovery Act Congress statutorily provided hold harmless to the tax credit world So beginning with the 2015 income limits from the Section 8 perspective we actually let those fall if incomes in the area fell we could better target our program parameters to lower income families. So there are rules in the tax credit world that their income limits never go down from where they were placed in service. Thee low income tax credit program is the biggest affordable housing program.

Amy Marx so that therein is our problem. If we could give everyone who need affordable affordable housing a section 8 voucher then we would be so much better.

Facilitator Greenberg the taskforce will look at policy recommendation to the legislative body of the city to addres the issues. We have been looking at other examples of other towns in the region in Connecticut nationally. Are there metro areas that look something like this that might be places for the taskforce to look in terms of comparables.

Mr. Kahn noted that New England is the only place where we maintain these old county splits. There is no other region of the country where this happens. The town is the main unit of government in the New England States which is why we have this agglomeration of towns instead of counties in the new England state. He noted that the area definitions based on the 2000 decennial census were implemented in the fair market rents of 2006 which were calculated in the middle of 2005. He noted that HUD has a keen focus on not having the program parameters change by too much by adopting new area definitions so where HUD had data to evaluate it was looked to see if the rents or the incomes made sense

(Note: due to issue with recorder the rest of the meeting had to be summarized from here on.)

Mr. Kahn took a few more questions and explained that New York City is one of the only places that the government has allowed evaluation of incomes and rents by zip code.

Mr. Santoro presented by giving an overview of the State of Connecticut's programs. He explained that the state uses HUD guidelines. He added that New Haven has nine request in for projects at the moment. He noted that if New Haven received 2 or more of those that would be great. He explained that his department covers the whole state. He added that a small project in Ridgefield could be proportionate to a large project in New Haven based on the demographics of the areas.

Member Colon inquired if New Haven could take advantage of credits that other towns did not want to use.

Mr. Santoro explained that while the program is not set up that way it might be worth exploring partnerships with other towns.

Facilitator Greenberg, thanked everyone for coming, acknowledged the presenters and the community members present. He noted that there was a request from those present to have the meetings in a larger space and to have a meeting in the evening and explained that the taskforce will attempt to do both. He added that the next meeting will be at 11 AM on October 22 in the Board of Alders Chamber at 11 AM and the meeting after that will be on November 26 with time and location to be announced.

The meeting adjourned at 12:45 pm.