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Affordable Housing Primer Summary

Shane Phillips • May 2020

What do we mean when we say we want to build and preserve affordable housing? The phrase “affordable housing” is ubiquitous and applied to so many different types of homes that it sometimes feels like it’s lost any clear meaning.

“Affordability” is a difficult concept to pin down, in part because it’s defined by the interplay of two separate metrics: the cost of housing and the incomes of renters and buyers. Some places have high wages and high housing costs, others have low wages and low housing costs. The most challenging cases, such as Los Angeles, have low wages but high housing costs. The relationship between cost and income shapes how we define affordability in our own communities.

This short summary describes the different types of affordable housing, how they’re built, and who they serve. It looks at affordable housing through the lens of Los Angeles but has application to cities across the United States. We hope the knowledge contained here will be used to develop better-informed, more effective housing policy that improves affordability and protects against displacement. We will discuss five (5) affordable housing categories and six (6) affordability levels.

This summary is intended as a preview of our more in-depth primer which we strongly encourage readers to review, especially those who advocate for or make policy decisions relating to affordable housing. The full-length version includes details about who builds each affordable housing category, who pays, how rents are set and can change over time, and many other policy considerations. It also explains household income restrictions, conditions that determine who can reside in different types of affordable housing, and other details on eligibility and regulatory authority. The full primer can be found at lewis.ucla.edu/publications.



A subsidized affordable housing development in Santa Monica. Retrieved from <https://www.archdaily.com/503233/broadway-housing-kevin-daly-architects>

Table 1.

Maximum qualifying income thresholds based on affordability level, regulating authority, and household size, Los Angeles, 2019.

Income Level (AMI)	Regulating Authority	Household size							
		One	Two	Three	Four	Five	Six	Seven	Eight
Extremely low (30%)	TCAC	\$21,930	\$25,080	\$28,200	\$31,320	\$33,840	\$36,360	\$38,850	\$41,370
	HCID	\$21,950	\$25,050	\$28,200	\$31,300	\$33,850	\$36,350	\$39,010	\$43,430
Very low (50%)	TCAC	\$36,550	\$41,800	\$47,000	\$52,200	\$56,400	\$60,600	\$64,750	\$68,950
	HCID	\$36,550	\$41,800	\$47,000	\$52,200	\$56,400	\$60,600	\$64,750	\$68,950
Low (80%)	TCAC	\$58,480	\$66,880	\$75,200	\$83,520	\$90,240	\$96,960	\$103,600	\$110,320
	HCID	\$58,450	\$66,800	\$75,150	\$83,500	\$90,200	\$96,900	\$103,550	\$110,250
Median (100%)	TCAC	\$73,100	\$83,600	\$94,000	\$104,400	\$112,800	\$121,200	\$129,500	\$137,900
	HCID	\$51,150	\$58,500	\$65,800	\$73,100	\$78,950	\$84,800	\$90,650	\$96,500
Moderate (120%)	HCID	\$61,400	\$70,150	\$78,950	\$87,700	\$94,700	\$101,750	\$108,750	\$115,750

Table adapted from City of Los Angeles Land Use Schedule VII and California Tax Credit Allocation Committee Maximum Income Levels.

Rent-controlled housing places limits on annual rent increases. Units with **vacancy control** retain their rent limitations even when there’s a change of tenancy (i.e., when one household moves out and a new one moves in), whereas rents in units with **vacancy decontrol** may be reset to market rates when tenancy changes. Rents for rent-controlled housing are typically more stable than rents for non-rent-controlled housing, but they are not necessarily affordable to low- or moderate-income households.

4. Naturally occurring affordable housing

Naturally occurring affordable housing, or NOAH, is privately owned, unsubsidized, and non-income-restricted housing that is nonetheless affordable to lower- and middle-income residents. Its affordability derives from its characteristics: It is typically older, out of fashion, lower quality, and/or in less desirable locations, but still meets basic health and habitability standards.

5. Low-cost new construction

The final “affordable housing” type discussed here is low-cost new construction. This is housing that is affordable because of how it’s designed, the materials it uses, or the way it’s built. It is typically — though not always — unsubsidized and built for profit.

Common low-cost building types include: micro-units, co-living, and accessory dwelling units; modular and

prefabricated housing; “missing middle” small multifamily; parking-free or parking-lite developments, and mobile homes.

Affordability Levels

Of the affordable housing types described above, only the income-restricted, rent-capped, and subsidized or unsubsidized categories (the first two categories) are means-tested. In other words, only households earning below specific income thresholds are eligible to live in them.

Eligibility is based on a household’s relationship to the area median income, or AMI, which varies from metro area to metro area. The five income-restricted affordability levels are:

- **Extremely low income**, or ELI (30% of AMI)
- **Very low income**, or VLI (50%)
- **Low income** (80%)
- **Moderate income** (120%)
- **Workforce** (150%)

For example, if a region’s median income for a four-person household is \$100,000 per year, the maximum annual income to be eligible for a very low income unit would be \$50,000 (50% of AMI). The income thresholds in the Los Angeles region are listed in **Table 1** for ELI, VLI, low income, and moderate income housing. Income thresholds and maximum rents vary based on whether the units are regulated by the California Tax Credit Allocation Committee (TCAC) or the

Table 2.

Maximum rents based on affordability level, regulating authority, and unit size, Los Angeles, 2019.

Rent Level	Regulating Authority	Unit size					
		Studio	1 BR	2 BR	3 BR	4 BR	5 BR
Extremely low	TCAC	\$548	\$587	\$705	\$814	\$909	\$1,002
	HCID	\$384	\$439	\$493	\$548	\$592	\$636
Very low	TCAC	\$913	\$979	\$1,175	\$1,357	\$1,515	\$1,671
	HCID	\$640	\$731	\$822	\$914	\$987	\$1,060
Low	TCAC	\$1,462	\$1,567	\$1,880	\$2,172	\$2,424	\$2,674
	HCID	\$768	\$877	\$987	\$1,097	\$1,184	\$1,272
Moderate	HCID	\$1,407	\$1,608	\$1,809	\$2,010	\$2,171	\$2,332

Table adapted from City of Los Angeles Land Use Schedule VII and California Tax Credit Allocation Committee Maximum Rents.

City of Los Angeles Housing and Community Investment Department (HCID).

Units are subject to TCAC income limits and maximum rents if they were funded by the Low-Income Housing Tax Credit. Income-restricted units in privately funded developments, including those that utilize the TOC program or state density bonus, are subject to HCID income limits and maximum rents. LIHTC projects that utilize state or local density bonuses may have a mix of units, with some subject to TCAC limits and others subject to HCID’s.

A final “affordability level” is **market-rate housing**, distinct from the others and more common than all of them combined. Market-rate housing lacks income restrictions or maximum rents and varies in affordability depending on unit characteristics and local conditions.

Rents in income-restricted housing, ranging from extremely low income to workforce housing, are set at a maximum of 30% of the income threshold. For a very low income unit with a maximum income threshold of \$50,000 per year, then, the maximum rent would be \$1,250 per month ($\$50,000 \times 30\% / 12 \text{ months} = \$1,250/\text{month}$).

Importantly, maximum rents vary dramatically for subsidized and unsubsidized affordable units. Those funded by the federal government through the Low Income Housing Tax Credit program are regulated by TCAC and tend to have much higher maximum rents than unsubsidized affordable units, which are typically regulated by HCID. The reasons for this

variation are complex, and are discussed in detail in the full-length primer. **Table 2** lists the maximum rents for affordable units regulated by TCAC and HCID.

Housing affordability is a complex topic, and “affordable housing” is a term with many valid meanings. Seeking to improve housing affordability and provide affordable housing begins with a clear understanding of what these terms represent and the trade-offs required for each. We hope this summary proves a useful reference for advocates and policymakers, and we encourage readers to review our in-depth primer for additional detail on each affordable housing category and its characteristics and policy design elements, the affordability levels and the influence of their regulating authorities, and much more.

This summary brief is based on: Phillips, S. (2020). *Affordable Housing Primer*. Los Angeles, CA: UCLA Lewis Center for Regional Policy Studies.

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About the Author

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