

Memo

To: Dante St. Germain, Planning & Design
From: Stephanie Burdick, SAB Consulting, LLC
cc: Justin Robinson, Executive Administrator, DCA
Date: February 24, 2020
Re: Wilson / Hepburn Rent Comparison **AMENDED 2/26/2020**

On February 25, 2020, I received a phone call from the applicant's counsel requesting that I clarify the memorandum I prepared on February 24, 2020. I included points of clarification below:

Develop Louisville - Division of Compliance and Administration (DCA) received a request to evaluate the rents charged at the subject property are affordable. The owner provided the attached chart to document their affordability. (Attachment 1) I have completed this request on behalf of DCA. I am an independent consultant who works with Develop Louisville – DCA and its Office of Housing.

1. It was assumed that the readers of this memorandum would understand how Develop Louisville – Division of Compliance and Administration (DCA), and specifically me, came to be involved in this request. In order to clarify this, I have provided an overview, below.

The chart (Attachment 1) was sent to Marilyn Edwards on February 4, 2020 by Paul Whitty. Marilyn Edwards formerly worked for Develop Louisville – DCA and retired on January 29, 2020. This information was then forwarded to me and Justin Robinson as we are both listed as appropriate contacts for her. Justin Robinson spoke with Paul Whitty on February 7, 2020 via phone. Justin Robinson emailed me on February 7, 2020 asking if I could review the chart for him. I responded to Justin Robinson on February 8, 2020 and he forwarded my response to Paul Whitty. Paul Whitty reached out to me directly on February 18, 2020 to discuss my email. I spoke with Paul Whitty via phone on February 18, 2020 at which time I asked for the Planning & Design staff in which he was working with so I could fully understand the request. On February 18, 2020, I had an in-person conversation with Dante St. Germain regarding their request. During this conversation, Dante asked for me to compare what was submitted by the property (Attachment 1) against the HUD Fair Market Rents and the Low Income Housing Tax Credit Program (LIHTC) rents as she said these are cited in the Land Development Code. I informed Dante that the LIHTC Program has two rent levels, one is based upon the 50% area median income limit and the other is based upon the 60% area median income limit, and you informed me to utilize the higher of the two rent limits, 60%.

"Affordable", in general, is defined as paying no more than 30% of your household income on housing costs (includes utilities). So, in terms of if the rent is "affordable" - that is dependent upon household's income. Programs developed to support affordable housing, such as the Low Income Housing Tax Credit Program (LIHTC), the HOME Investment Partnership Program (HOME) or Louisville CARES Program (CARES) set standard rent limits using this 30% calculation of an area's (Louisville Metro / Jefferson County) household median income. These rent limits make it easier to administer the program. However, if a household makes less than the median income for the area, upon which the rent limit calculation is based, they end up paying more than 30% of their household income on housing costs. For these households, paying more than 30% of the income on housing costs, they are considered cost burdened, yet, the rent charged to them would be compliant with program requirements.

2. I wanted to clarify that there are numerous ways in which affordable housing is defined. The overarching theme is that "affordable" is as paying no more than 30% of your household income on housing costs (including utilities). However, each affordable housing program, or guiding document, each have their own definition. I have included some of these definitions below. I have underlined verbiage in each definition to help point out the differences between how affordable housing and affordable rents are defined.

The applicant's counsel on our phone call on 2/25/2020 stated that the Comprehensive Plan identifies the Louisville CARES Program and The Louisville Affordable Housing Trust Fund. As previously mentioned, in the Land Development Code, the HUD Fair Market Rents and the Low Income Housing Tax Credit Program (LIHTC) rents are cited.

- The Louisville CARES program defines affordable housing as "*Housing, including utilities, that costs no more than 30% of income for a household earning 80% of area median income.*" (ref: Louisville CARES Policies and Procedures)
- The Louisville Affordable Housing Trust Fund (LAHTF) states in their funding application that, "*All projects using LAHTF funds must be affordable to those at or below 80% or 50% of area median income, as specified in the application. "Affordable" is defined as the cost of housing plus utilities being less than or equal to 30% of the household income. If the intended recipient for the unit size is a family of four, for example, then the cost of the housing plus average utility cost must be less than or equal to 30% of the area median income for that family size.*"
- The Low Income Housing Tax Credit Program defines an affordable rent as, "*a residential unit is rent-restricted if the gross rent with respect to such unit does not exceed 30 percent of the imputed income limitation applicable to such unit.*" (26 CFR Part 1 Section 42)
- The HUD Fair Market Rents are "*are estimates of rent plus the cost of utilities, except telephone. FMRs are housing market-wide estimates of rents that provide opportunities to rent standard quality housing throughout the geographic area in which rental housing units are in competition. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard quality rental housing units in the FMR area. FMRs are set at the 40th percentile rent, the dollar amount below which the rent for 40 percent of standard quality rental housing units fall within the FMR area. The 40th percentile rent is drawn from the distribution of rents of all units within the FMR area that are occupied by recent movers. Adjustments are made to exclude public housing units, newly built units and substandard units.*" (24 CFR Part 888 Section 113)

In Attachment 1, the owner compared their rents against the Louisville CARES program rent limits. The CARES program is designed to cater to "workforce" housing. This means that the household income is anticipated to be higher than in properties funded by other affordable housing programs. The rent limit for a CARES efficiency unit is based upon taking 30% of the 1-person household annual median income at 80% AMI (\$42,800) and dividing by 12. This results in a monthly rent limit (includes utilities) of \$1070 for an efficiency unit.

In Attachment 2, you can see that the LIHTC and Fair Market Rents are significantly lower than the Louisville CARES limits. If you evaluate the rents against these limits, only Apartment 6's rent is considered affordable under both rent limits. Apartment 5 rent is considered affordable only in comparison with the LIHTC rent limits. The other four (4) apartments, are anywhere between \$40 - \$365 over depending upon which rent limit is utilized.

3. I would like to clarify that the Louisville Affordable Housing Trust Fund (LAHTF) does not produce a rent schedule as other programs the other programs do. They work with each of their applicants to set rent limits which are affordable to the population served. As such, no rent limit is included in Attachment 2 for LAHTF.

Further, Attachment 2 provides a comparison of the subject property's rents against various affordable housing rent limits. I have updated Attachment 2 to document that the subject property is under the rent limits for the Louisville CARES Program. All six (6) apartments are considered affordable in comparison with the CARES rents.

2019 Louisville CARES Rent and Income Limits*

Income Limit Category	Persons in Family							
	1	2	3	4	5	6	7	8
80% AMI	\$42,800	\$48,900	\$55,000	\$61,100	\$66,000	\$70,900	\$75,800	\$80,700

Apt #	Bedrooms	Rent	Utilities	Total Occupancy Costs	Rent Limits
1	1 Bedroom	\$800	@\$100	\$900	\$1,147
2	1 Bedroom	\$953	@\$100	\$1,053	\$1,147
3	2 Bedroom	\$1,000	\$150	\$1,150	\$1,376
4	1 Bedroom	\$850	@\$100	\$950	\$1,147
5	Efficiency	\$745	included	\$745	\$1,070
6	Efficiency	\$586	included	\$586	\$1,070

* All units receive free water

** All tenants use common laundry room - landlord pays associated utility costs.

ATTACHMENT 2

Income Limit Category	Persons in Family							
	1	2	3	4	5	6	7	8
80% AMI	\$42,800	\$48,900	\$55,000	\$61,100	\$66,000	\$70,900	\$75,800	\$80,700
60% AMI	\$32,100	\$36,720	\$41,280	\$45,840	\$49,560	\$53,220	\$56,880	\$60,540

Apt #	Bedrooms	Rent	Utilities	Total Occupancy Costs	HUD Fair Market Rent Limits	LIHTC 60% Rent Limits	CARES Rent Limits
1	1 Bedroom	\$800	@\$100	\$900	\$688	\$860	\$1,147
2	1 Bedroom	\$953	@\$100	\$1,053	\$688	\$860	\$1,147
3	2 Bedroom	\$1,000	\$150	\$1,150	\$853	\$1,032	\$1,376
4	1 Bedroom	\$850	@\$100	\$950	\$688	\$860	\$1,147
5	Efficiency	\$745	included	\$745	\$602	\$802	\$1,070
6	Efficiency	\$586	included	\$586	\$602	\$802	\$1,070

Amount Over/Under FMR	Amount Over/Under LIHTC	Amount Over/Under CARES
\$212	\$40	-\$247
\$365	\$193	-\$94
\$297	\$118	-\$226
\$262	\$90	-\$197
\$143	-\$57	-\$325
-\$16	-\$216	-\$484

over is displayed as a positive amount, while under is displayed as a negative amount