

Oakland Housing Affordability in Brief



What does “affordable housing” really mean?

According to the Federal government, **your housing is affordable when all housing costs are no more than 30% of your total income.** This includes extra costs like utilities, property taxes, association fees, insurance and maintenance. This definition is important because it is used to create policy. For example, programs like Section 8 calculate housing costs based on 30% of your income.

If you’re thinking, “Hey, I pay more than 30% of my income for housing,” you are not alone. Despite Federal affordable housing definitions, many renters pay more than 30%. And many Bay Area residents purchase a home by paying more than 30% of their family’s income for housing costs. In fact, most banks allow homebuyers to spend up to 45% of their income on household debt.

UP TO 30%= Affordable Housing
Up to 45% = Maximum House Payment Allowed by Banks*
More than 45% = Watch Out! It can be risky to pay more than 45% of your income towards housing.

* Combined with all of your monthly household debt payments, including credit cards and loans

Affordability is measured using Area Median Income (AMI). What is AMI?

AMI stands for “Area Median Income.” If you made a list of the income for every household in the Area, the median income would be the exact middle number on the list. AMI is determined by the Federal government and is used to determine eligibility for government housing programs. Households earning:

- Between 120% and 80% of AMI are considered “moderate income,”
- Less than 80% of AMI are considered “low-income,”
- Less than 50% of AMI are considered “very low-income,”
- And below 30% of AMI are considered “extremely low-income.”

In the federal “Fair Market Rent” area for Oakland, the median income for a 4-person household is \$83,000. That sounds high!



Well, that federal median includes Oakland and Fremont. Here in Oakland, the median household earns \$48,280. That’s only 58% of AMI. That means more than half of Oakland households are considered “low income.”

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How much can my household afford to pay for housing?

Your Income and AMI				Renting Affordably	Buying an Affordable Home		Maximum Home Loan Eligibility	
Your household's combined hourly wage	% of AMI (4-person household)	Your household's combined monthly income before taxes	Your household's annual income before taxes	Monthly Rent and utilities = 30% of income	Monthly House Payment + Other Housing Costs* = 30% of Income	A home affordable to you would cost this much	Monthly House Payment + Other Housing Costs* = 45% of Income	Most expensive house you could qualify to buy, if you have no other debt:
\$9.98	25%	\$1,729	\$20,750	\$519	\$519	\$70,918	\$719	\$95,395
\$11.97	30%	\$2,075	\$24,900	\$623	\$623	\$83,646	\$862	\$112,873
\$13.97	35%	\$2,421	\$29,050	\$726	\$726	\$96,234	\$1,006	\$140,593
\$15.96	40%	\$2,767	\$33,200	\$830	\$830	\$108,862	\$1,149	\$159,657
\$19.95	50%	\$3,458	\$41,500	\$1,038	\$1,038	\$134,342	\$1,436	\$197,694
\$23.94	60%	\$4,150	\$49,800	\$1,245	\$1,245	\$159,657	\$1,724	\$239,856
\$31.92	80%	\$5,533	\$66,400	\$1,660	\$1,660	\$214,410	\$2,298	\$319,874
\$39.90	100%	\$6,917	\$83,000	\$2,075	\$2,075	\$265,165	\$2,873	\$396,006
\$47.88	120%	\$8,300	\$99,600	\$2,490	\$2,490	\$319,874	\$3,447	\$472,016

*Other homeowner costs include utilities, insurance, property tax, and association fees.

How much does housing cost in Oakland?

The median home in 2006 cost \$536,000.

"Fair market rent" for a 2-bedroom apartment is \$1,250 per month.

The term "**market rate**" means that housing is sold or rented for a fair market price. **Below market-rate (BMR)**, or subsidized homes or apartments, are sold or rented at affordable prices. City, state, and federal programs help pay the difference between market rate and the affordable below-market rate price.

For information on home buyer assistance programs for low-income families, see <http://www.oaklandnet.com/government/hcd/loansgrants/homebuyers.html>

Notes

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- Monthly and annual incomes are based on a 40 hour work week, for a total of 2080 hours worked per year.
- Oakland's 2007 median income (\$48,280) is calculated by plugging the 2000 census median income (\$40,055) into the formula that is used for the 2007 HUD AMI calculations to approximate the current income levels.
- \$83,000 is HUD's 2007 100% AMI for the Oakland-Fremont HUD Metro Fair Market Rent (FMR) Area for a 4-person household. Note that this median differs from that of the San Francisco-Oakland-Fremont MSA.
- Home prices were calculated using an online mortgage qualifier tool, accessed on 6/26/07 at <http://www.finance.cch.com/sohoApplets/MortgageQualifier.asp>
- Home prices are based on a 30 year fixed-rate mortgage of 7.00%, no existing debt, a 1% loan origination fee, closing costs of \$800, property tax of 1.35%, and home insurance costs of .5%. Estimates for homes less than \$200,000 assumed \$10,000 cash on hand for a down payment, loan origination fees, and closing costs. Estimates for homes less than \$300,000 but greater than or equal to \$200,000 assume \$15,000 cash on hand. Estimates for homes of \$300,000 and above assume \$20,000 cash on hand.
- The median sale price of a home in Oakland in 2006 was \$536,000, according to First American Real Estate Solutions (FARES) data, a subscription service that publishes all recorded property sales per county assessor records.
- The fair market rent (FMR) for a 2-bedroom apartment in the Oakland-Fremont HUD Metro FMR Area is \$1,250.
- As of July 3, 2007, the City of Oakland has not yet published 2007 income limits for the City. However, when released they should be consistent with the estimates provided, since the City also calculates AMI based on the Oakland-Fremont HUD FMR, which is already available for 2007.