

# Other Ways to Look at Housing Issues

- If we are putting most of our reasonably-priced housing in the outlying areas of the Austin SMA, what do we do?
- There are three ways to lower the cost of housing:
  - Cheapen the product (can have implications)
  - Increase the density
  - Make the units smaller

# Density Helps Affordability

Austin Affordability Analysis		
Property:	10 Acres	
Land Price:	\$5,000,000	
Austin Median MFI (family of 4)	\$69,300	
Mortgage Affordability for Austin MFI (@ 6.75%)	185000 <sup>1</sup>	
Sales Price of MFI Home	\$205,000	
		Income Assumptions:
		2001 Median Family Income (four person family) = \$71,100
		2001 Austin METRO Median NEW Home Price app. = \$155,000
		2007 Median Family Income (four person family) = \$69,300
		2007 Austin METRO Median NEW Home Price app. = \$202,000
		Assume reasonable credit, modest debt and 10% down.

<sup>1</sup> For purposes of determining affordability for a "median family income family of four" we made the following assumptions: Reasonable credit standards; \$600 per month in outside fixed payments such as car payments, day care, credit cards, etc.



Product Type	SF-3 Single Family	SF-3 Duplex	SF-6 Condo	MF-1/MF-2 Condo	MF-3 Condo	MF-6 Condo
Units	54 Units	88 Units	123 Units	145 Units	300 Units	800 Units
Units per Acre	5.4 Units per Acre	8.8 Units per Acre	12.3 Units per Acre	14.5 Units per Acre	30.0 Units per Acre	80.0 Units per Acre
Per Unit Land/Below Ground Improvement Cost	\$160,000	\$120,000	\$87,000	\$74,000	\$35,000	\$15,000
Sale Price	\$475,000	\$360,000	\$240,000	\$225,000	\$166,000	\$166,000
<b>Income Required for Purchase</b>						
Down Payment	\$47,500	\$36,000	\$24,000	\$22,500	\$16,600	\$16,600
Loan Amount	\$427,500	\$324,000	\$216,000	\$202,500	\$149,400	\$149,400
Monthly P/I	\$3,765	\$2,906	\$1,949	\$1,832	\$1,373	\$1,373
Total Monthly Debt Payment	\$4,265	\$3,406	\$2,349	\$2,232	\$1,773	\$1,773
Total Monthly PMI Payment	\$278	\$211	\$140	\$132	\$97	\$97
Minimum Qualifying Annual Income	\$173,249	\$133,579	\$89,529	\$84,156	\$63,025	\$63,025

## WHAT IS AFFORDABLE?

ACTUAL CURRENT LAND PRICING IN 78702 AS OF SUMMER 2013	EXAMPLE ONE	EXAMPLE TWO	EXAMPLE THREE	EXAMPLE FOUR	EXAMPLE FIVE
<b>Compare Pricing (acreage times Square Feet of Property) . . . Which one is affordable?</b>					
Acreage	8.8	3.8	1.88	7	1.64
Price Per Square Foot	\$35	\$30	\$87	\$30	\$57
<b>Total Price</b>	<b>\$13,416,480</b>	<b>\$4,965,840</b>	<b>\$7,124,674</b>	<b>\$9,147,600</b>	<b>\$4,071,989</b>

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### Consider How to Lower Rents

SQUARE FOOTAGE	AVERAGE RENT
1,000	\$2,000
750	\$1,500
588	\$1,176
375	\$750
200	\$400

Density lowers the costs.

Making units smaller lowers the costs to the consumer.