

Why Many Philadelphians Cannot Afford Affordable Housing: Estimating an Alternative Area Median Income for the City/County of Philadelphia

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Introduction

The US Department of Housing and Urban Development (HUD) is charged by law with creating a set of income limits that are used for, among other things, establishing rent thresholds for federally subsidized housing. Having its roots in the National Housing Act of 1937, that computation, the result of which is known as the Area Median Income (AMI),¹ has become critical to establishing eligibility for federal housing programs (e.g., Housing Choice Voucher or LIHTC benefit), as well as other federal,² state,³ and local⁴ housing and community development programs in Philadelphia and across the country.

HUD's AMI is calculated for geographies including the "...metropolitan area, parts of some metropolitan areas, and each nonmetropolitan county." (HUDUSER, p. 1). These geographies will change over time as the Office of Management and Budget occasionally redefines metropolitan areas. But key to a proper understanding of HUD's methodology is that while HUD reports an AMI for each county that comprises a metropolitan area, the HUD determined incomes of those counties do not differ.⁵

There are two motivating reasons to create this Brief. The first traces to an act of The General Assembly of the Commonwealth of Pennsylvania known as House Bill 581 titled the "Affordable Housing Unit Tax Exemption Act" in 2022.⁶ That Bill authorized "...local taxing authorities to

¹ See: <https://www.huduser.gov/portal/datasets/il/il21/IncomeLimitsMethodology-FY21.pdf>

² op. cit.

³ See: https://www.phfa.org/mhp/rent_and_income_limits/

⁴ See: <https://phdcphila.org/residents-and-landlords/homebuyers-and-renters/philly-first-home/>

⁵ There are a very few exceptions to this. One such exception is separate computations for Rockland and Westchester counties in the New York metropolitan area.

https://www.huduser.gov/portal/datasets/il/il2023/2023summary.odn?inputname=METRO35620MM5600*New+York%2C+NY+HUD+Metro+FMR+Area&wherefrom=%24wherefrom%24&selection_type=hmfa&year=2023 This exception came about as a result of federal legislative action taken during the 1990s. (see: Murphy, Jarret. April 25, 2017. "The Secret History of Area Median Income." ShelterForce).

⁶ See: <https://www.legis.state.pa.us/cfdocs/billinfo/BillInfo.cfm?year=2021&sind=0&body=H&type=B&bn=581>

provide for tax exemptions for improvements to deteriorated areas and dwellings to incentivize the creation and improvement of affordable housing units.” Critical to the Act is a definition of AMI: “The median household income within the boundaries of a local taxing authority.” Also critical is the definition of the local taxing authority as “A county, city, borough, incorporated town, township, institution district or school district having authority to levy real property taxes.”

While the key sponsor of the Bill suggested that communities around Pennsylvania would use the HUD AMI (or the Pennsylvania Housing Finance Agency’s adaptation of that – which is essentially the HUD AMI), the option was left open to the local taxing authority to establish its own approach to establishing an area median income.

The second motivating factor comes in the form of resident communications with district Councilmembers. Councilmembers report that residents say that while “affordable” housing is being created in the district, they cannot afford to live there. LIHTC rents are beyond their financial means.

Much of the subsidized housing being constructed (e.g., LIHTC) in Philadelphia charges rent based on HUD’s AMI. Therefore, this Brief examines the impact of HUD’s reliance on metropolitan areas for the city of Philadelphia, PA and creates an adaptation of AMI based singularly on the city’s resident income. Philadelphia, like the central city of many metropolitan areas, has residents who are lower income than those in the suburban counties. Establishing an AMI based on those higher income surrounding counties creates a situation in which fractions of AMI (e.g., 80% of AMI) will exceed the actual average of residents within the central city. Writing about the New York Metropolitan area, Murphy states: “...in a large and wealthy area like the new Your City metro, the resulting definitions of “low income” are often skewed, leaving out those who really need help.”⁷

The Philadelphia region for purposes of HUD’s AMI includes neighboring counties in Pennsylvania (Bucks, Chester, Delaware, Montgomery, and Philadelphia⁸), as well as four counties in NJ (Burlington, Camden Gloucester, and Salem), one in DE (New Castle) and one in MD (Cecil). As observed in Figure 1, Philadelphia’s median family income as estimated by the Census’ 2022 American Community Survey is \$67,168. This is far-and-away the lowest countywide income in the region; closest are Salem (NJ) at \$92,541 and Camden (NJ) at \$102,893. Philadelphia’s neighboring Pennsylvania counties have median family incomes more than 60% greater than Philadelphia’s.⁹

⁷ Murphy, p. 1. <https://shelterforce.org/2017/04/25/secret-history-area-median-income/>

⁸ Philadelphia is both a city and a county.

⁹ See Appendix table depicting county median family incomes and regional AMIs from 1999 through 2022.

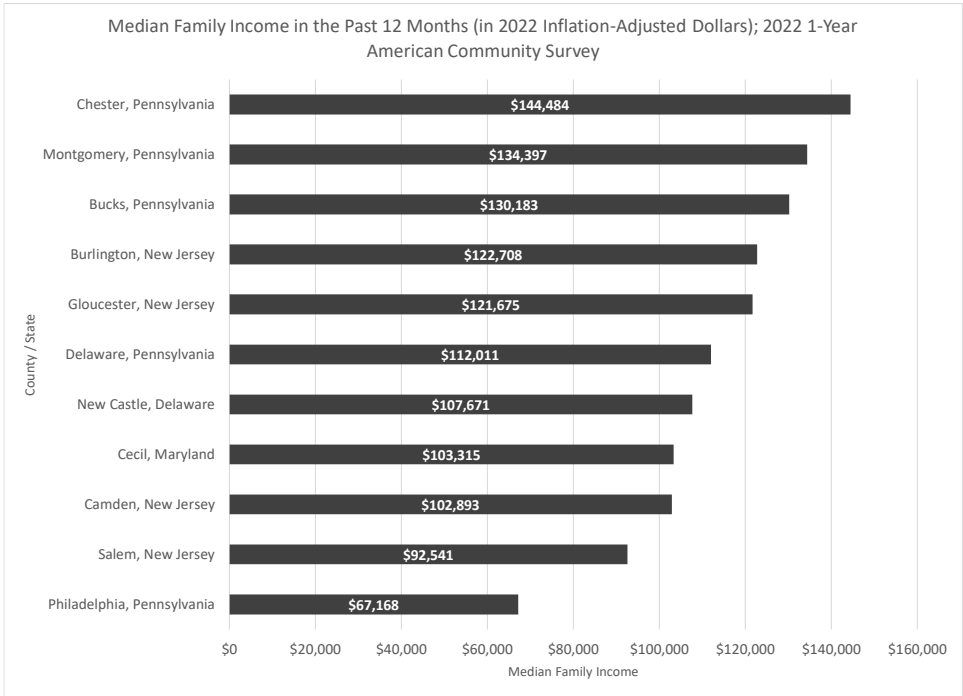


Figure 1: Median Family Income of Component Counties of the Philadelphia Region, 2022

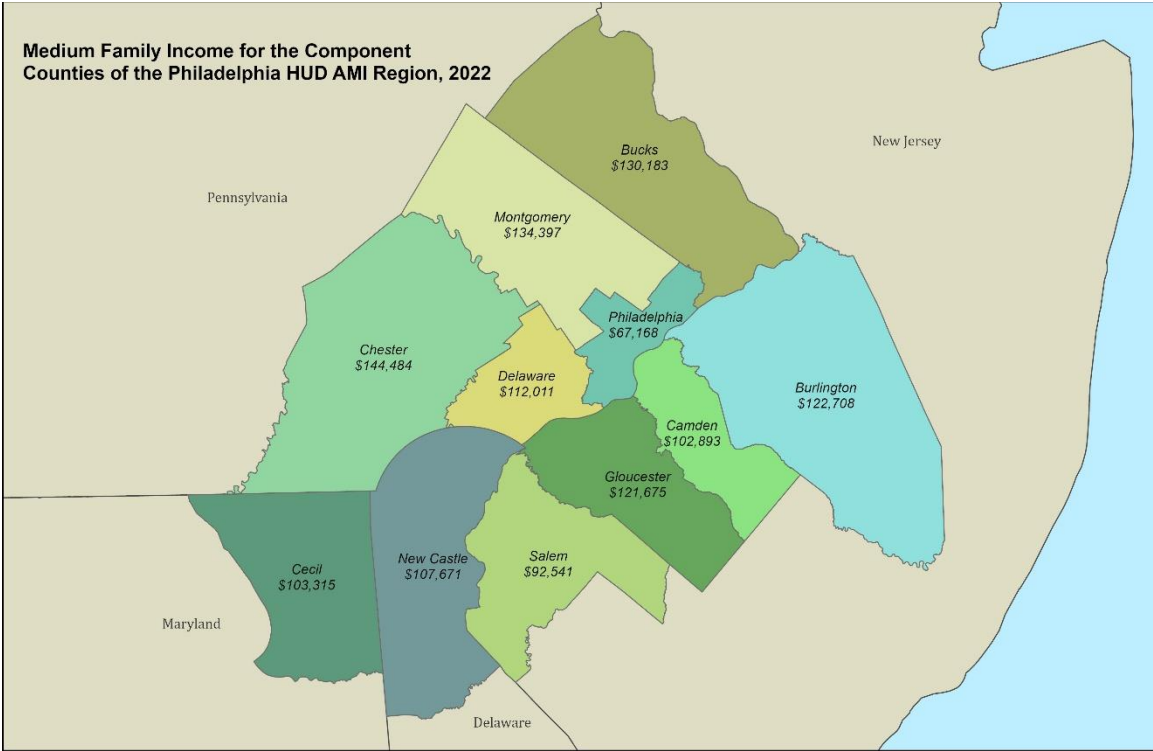


Figure 2: Median Family Income of Component Counties of the Philadelphia Region, 2022

Figure 3 compares how thresholds based on HUD AMIs compare to Philadelphia resident income, based on the median family income from the 2021 1-Year ACS sample.¹⁰ This comparison shows that a housing unit affordable to someone at 80% of the HUD AMI (i.e., \$91,520) would only be affordable to a Philadelphia resident family with an income above 100% of the citywide median (\$86,982). Stated differently, HUD’s 80% AMI threshold is a value that is greater than Philadelphia residents earning above 105% of the city’s median family income.

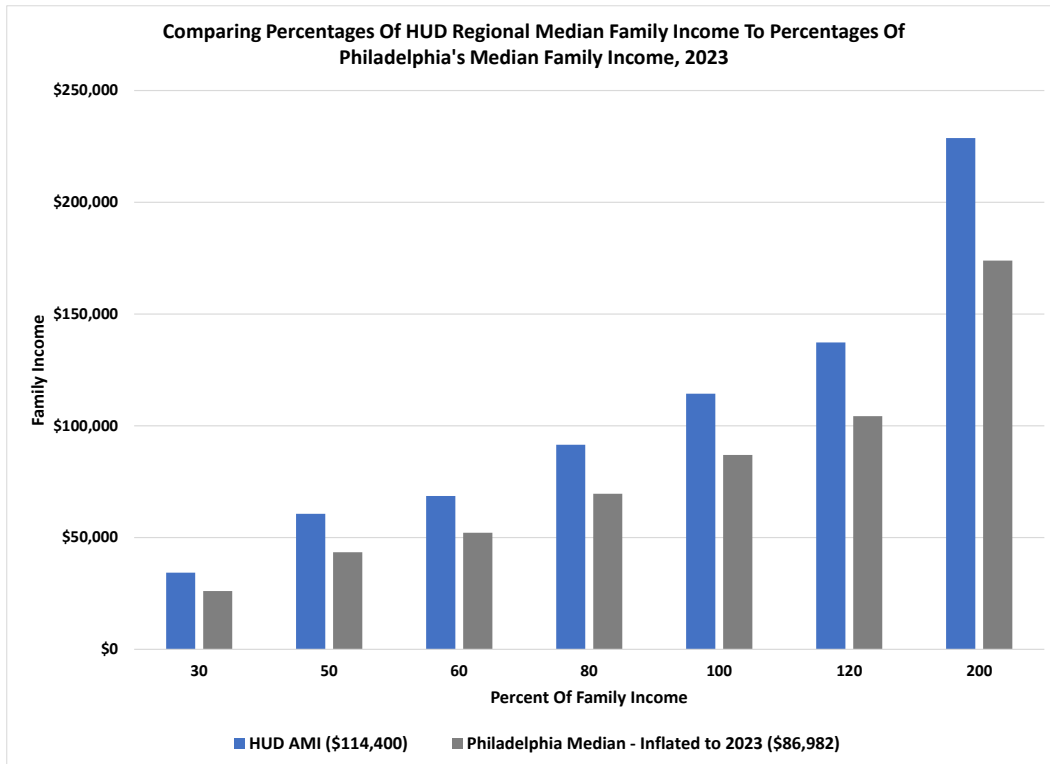


Figure 3: Comparing HUD 2023 AMI To City Resident Income, 2021 (inflated to 2023)

As stated earlier, it is not well understood that HUD AMIs, while reported at the county level, are not differentiated by county within a region. Figure 4 is extracted from the HUD website.¹¹ Note the median family income of \$114,400 for the Philadelphia Region (highlighted in yellow). We also highlight (in orange) the table note to Figure 4, which clearly states that Philadelphia County is part of the Philadelphia region, and that all the information in the table applies to all the component counties.

¹⁰ Philadelphia’s median family income from ACS is inflated to be consistent with the period for which the 2023 AMI is reported.

¹¹ Extracted from:

https://www.huduser.gov/portal/datasets/il/il2023/2023summary.odn?STATES=42.0&INPUTNAME=METRO37980M37980*4210199999%2BPhiladelphia+County&stalist=&stname=Pennsylvania&wherefrom=%24wherefrom%24&statefp=42&year=2023&ne_flag=&selection_type=county&incpath=%24incpath%24&data=2023&SubmitButton=View+County+Calculations. Accessed on 5/30/2023.

FY 2023 Income Limits Summary

FY 2023 Income Limit Area	Median Family Income Click for More Detail	FY 2023 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	\$114,400	Very Low (50%) Income Limits (\$) Click for More Detail	39,100	44,650	50,250	55,800	60,300	64,750	69,200	73,700
		Extremely Low Income Limits (\$)* Click for More Detail	23,450	26,800	30,150	33,500	36,200	40,280	45,420	50,560
		Low (80%) Income Limits (\$) Click for More Detail	62,500	71,400	80,350	89,250	96,400	103,550	110,700	117,850

NOTE: Philadelphia County is part of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA, so all information presented here applies to all of the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA.

Figure 4: HUD Income Limit Categories for the Philadelphia MSA

Similarly, in its programs, the Pennsylvania Housing Finance Agency (PHFA) – like many other governmental agencies and housing finance agencies around the country – adopts the HUD standard, and thus similarly attributes the regional averages to each component county. Figure 5 was extracted from PHFA’s website¹² showing virtually identical median family income and income thresholds by family size (and % of median / income limits) to those reported by HUD; and they are the same for the sample counties of Philadelphia and Montgomery, as they are part of the same region.

COUNTY	% OF MEDIAN	MEDIAN INC EFF. DATE	HOUSEHOLD SIZE									RENT						
			1 PERSN	2 PERSN	3 PERSN	4 PERSN	5 PERSN	6 PERSN	7 PERSN	8 PERSN	9 PERSN	EFF	1BRM	2BRM	3BRM	4BRM	5BRM	6BRM
MONTGOMERY	20%	114,400	15,640	17,860	20,100	22,320	24,120	25,900	27,680	29,480	31,240	391	418	502	580	647	714	781
	30%	5/15/2023	23,460	26,790	30,150	33,480	36,180	38,850	41,520	44,220	46,860	586	628	753	870	971	1071	1171
	40%		31,280	35,720	40,200	44,640	48,240	51,800	55,360	58,960	62,480	782	837	1005	1161	1295	1429	1562
	50%		39,100	44,650	50,250	55,800	60,300	64,750	69,200	73,700	78,100	977	1046	1256	1451	1618	1786	1952
	60%		46,920	53,580	60,300	66,960	72,360	77,700	83,040	88,440	93,720	1173	1256	1507	1741	1942	2143	2343
	70%		54,740	62,510	70,350	78,120	84,420	90,650	96,880	103,180	109,340	1368	1465	1758	2031	2266	2500	2733
	80%		62,560	71,440	80,400	89,280	96,480	103,600	110,720	117,920	124,960	1564	1675	2010	2322	2590	2858	3124
	HERA 20%		16,020	18,320	20,600	22,880	24,720	26,560	28,380	30,220	32,040	400	429	515	595	664	732	801
	HERA 30%		24,030	27,480	30,900	34,320	37,080	39,840	42,570	45,330	48,060	600	643	772	892	996	1098	1201
HERA 40%		32,040	36,640	41,200	45,760	49,440	53,120	56,760	60,440	64,080	801	858	1030	1190	1328	1465	1602	
HERA 50%		40,050	45,800	51,500	57,200	61,800	66,400	70,950	75,550	80,100	1001	1073	1287	1487	1660	1831	2002	
HERA 60%		48,060	54,960	61,800	68,640	74,160	79,680	85,140	90,660	96,120	1201	1287	1545	1785	1992	2197	2403	
HERA 70%		56,070	64,120	72,100	80,080	86,520	92,960	99,330	105,770	112,140	1401	1502	1802	2082	2324	2563	2803	
HERA 80%		64,080	73,280	82,400	91,520	98,880	106,240	113,520	120,880	128,160	1602	1717	2060	2380	2656	2930	3204	
PHILADELPHIA	20%	114,400	15,640	17,860	20,100	22,320	24,120	25,900	27,680	29,480	31,240	391	418	502	580	647	714	781
	30%	5/15/2023	23,460	26,790	30,150	33,480	36,180	38,850	41,520	44,220	46,860	586	628	753	870	971	1071	1171
	40%		31,280	35,720	40,200	44,640	48,240	51,800	55,360	58,960	62,480	782	837	1005	1161	1295	1429	1562
	50%		39,100	44,650	50,250	55,800	60,300	64,750	69,200	73,700	78,100	977	1046	1256	1451	1618	1786	1952
	60%		46,920	53,580	60,300	66,960	72,360	77,700	83,040	88,440	93,720	1173	1256	1507	1741	1942	2143	2343
	70%		54,740	62,510	70,350	78,120	84,420	90,650	96,880	103,180	109,340	1368	1465	1758	2031	2266	2500	2733
	80%		62,560	71,440	80,400	89,280	96,480	103,600	110,720	117,920	124,960	1564	1675	2010	2322	2590	2858	3124
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	HERA 30%		24,030	27,480	30,900	34,320	37,080	39,840	42,570	45,330	48,060	600	643	772	892	996	1098	1201
HERA 40%		32,040	36,640	41,200	45,760	49,440	53,120	56,760	60,440	64,080	801	858	1030	1190	1328	1465	1602	
HERA 50%		40,050	45,800	51,500	57,200	61,800	66,400	70,950	75,550	80,100	1001	1073	1287	1487	1660	1831	2002	
HERA 60%		48,060	54,960	61,800	68,640	74,160	79,680	85,140	90,660	96,120	1201	1287	1545	1785	1992	2197	2403	
HERA 70%		56,070	64,120	72,100	80,080	86,520	92,960	99,330	105,770	112,140	1401	1502	1802	2082	2324	2563	2803	
HERA 80%		64,080	73,280	82,400	91,520	98,880	106,240	113,520	120,880	128,160	1602	1717	2060	2380	2656	2930	3204	

Figure 5: Extracted from PHFA's Income Limits

Alternative Formulation of Median Family Income

Recognizing that regionally established income thresholds are disadvantageous to the city’s families in terms of achieving affordability for families at or below the city’s average, and cognizant of the flexibility built into HB 581 and constituent reports regarding affordability

¹² Extracted from: https://www.phfa.org/forms/housing_management/tax_credits_rent_and_income_limits/2023_mtxr041.pdf. Accessed on 5/30/2023.

challenges, former Philadelphia City Council President Clarke’s office requested a Philadelphia-specific AMI equivalent, using proper data and a methodology as similar as possible to HUD’s. HUD’s process is well documented, and so a replication is largely achievable.¹³

HUD reports using the 2021 1-year American Community Survey (ACS) in its FY 2023 income estimates; this replication uses the same ACS database. HUD also adjusts the ACS data using an inflation factor, which they report to be 1.1217. Thus, this replication inflates the ACS figures by the same factor. In other words, the 2021 ACS median family income of \$77,545 for a family of four upon which this analysis is based will be inflated by 1.1217 (or approximately 12%) to \$86,982.

HUD’s adjustment for family size is simply the application of a factor by which it believes the family of a given size’s income would relate to a 4-person family’s income; it is not based each year on ACS established figures for families of each size. Thus, HUD applies a factor of .7 to the 4-person family median for the 1-person family threshold, .8 for a 2-person family, .9 for a 3-person family, 1.0 for a 4-person family, 1.08 for a 5-person family, 1.16 for a 6-person family, and 1.24 for a 7-person family.¹⁴

Table 1 presents the estimated income thresholds by family size based on our adaptation of the HUD approach using the ACS data specific to Philadelphia. As expected, all Philadelphia-specific income thresholds are lower than the HUD-established regional thresholds (See Figure 4 above), fundamentally because the incomes of Philadelphians – compared to their regional counterparts – are substantially lower.

2023 Philadelphia County Median Household Income							
Percent of Median	Family size of 1	Family size of 2	Family size of 3	Family size of 4	Family size of 5	Family size of 6	Family size of 7
30%	\$ 17,550	\$ 20,100	\$ 22,600	\$ 25,100	\$ 27,100	\$ 29,100	\$ 31,100
40%	\$ 23,400	\$ 26,750	\$ 30,100	\$ 33,450	\$ 36,150	\$ 38,800	\$ 41,500
50% (Very Low Income)	\$ 29,250	\$ 33,450	\$ 37,600	\$ 41,800	\$ 45,150	\$ 48,500	\$ 51,850
60%	\$ 35,100	\$ 40,100	\$ 45,150	\$ 50,150	\$ 54,150	\$ 58,150	\$ 62,200
80% (Low Income)	\$ 46,850	\$ 53,500	\$ 60,200	\$ 66,900	\$ 72,250	\$ 77,600	\$ 82,950
100%	\$ 58,500	\$ 66,900	\$ 75,250	\$ 83,600	\$ 90,300	\$ 97,000	\$ 103,650
120%	\$ 70,250	\$ 80,300	\$ 90,300	\$ 100,350	\$ 108,400	\$ 116,400	\$ 124,450

Table 1: Estimated Income by Family Size and Percentage of Income Thresholds Using 2021 ACS (inflated to 2023) and HUD Methodology for the City/County of Philadelphia

Estimate Rent Limits Based on Alternative Family Income Formulation

Working together with former Council President Clarke’s office to estimate rent limits, Table 2 presents the estimated rent limits by income level and bedroom size based on the Philadelphia-

¹³ See: <https://www.huduser.gov/portal/datasets/il/il2022/2022MedCalc.odn>

¹⁴ There are some other adjustments that HUD makes (e.g., for a high-cost housing market), but those were not made here.

specific income limits.¹⁵ At 60% of Philadelphia-specific median family income, the rent limits range from \$878 for an efficiency and \$940 to a 1-bedroom to \$1,454 for a 4-bedroom unit. These are substantially lower than the rent limits based on the HUD/PHFA AMI (see Figures 4, 5 and 6).

Philadelphia County 60% AMI Incomes and Maximum Rents													
	% of Median	Household Size							Rent				
		1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	EFF	1 BRM	2 BRM	3 BRM	4 BRM
2023 PHFA LIHTC Income and Rent Limits	60%	\$46,920	\$53,580	\$60,300	\$66,960	\$72,360	\$77,700	\$83,040	\$1,173	\$1,256	\$1,508	\$1,742	\$1,943
2023 Philadelphia County Only Income and Rent Limits	60%	\$35,100	\$40,100	\$45,150	\$50,150	\$54,150	\$58,150	\$62,200	\$878	\$940	\$1,129	\$1,304	\$1,454
Difference		\$11,820	\$13,480	\$15,150	\$16,810	\$18,210	\$19,550	\$20,840	-\$296	-\$316	-\$379	-\$438	-\$489

Table 2: Comparison of Rents Using HUD/PHFA Income/Rent Formulation Compared to Alternative Philadelphia Formulation

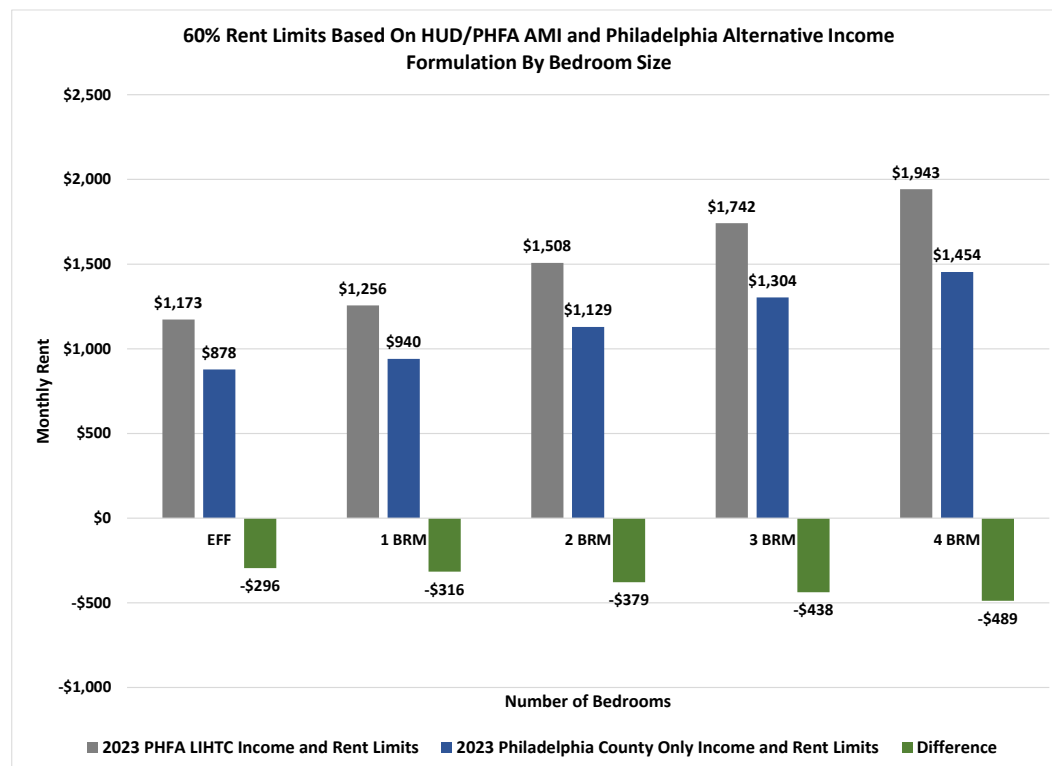


Figure 6: Comparing Rent Limits by Number of Bedrooms for HUD/PHFA 60% AMI and Philadelphia Alternative Income Formulation

A Note on Racial and Ethnic Income Differences in Philadelphia

For many reasons that are beyond the scope of this Brief, there are substantial differences in family incomes in Philadelphia between White not Hispanic families and those that are Black or Hispanic. Those differences are to the disadvantage of Black and Hispanic residents of Philadelphia. In much the same way that an AMI based on multiple areas amongst which Philadelphia has the lowest income, the city's median is comprised of multiple groups of

¹⁵ See: <https://www.nhlp.org/resources/lihtc-admissions-rents-grievance-procedures/#:~:text=LIHTC%20rents%20are%20set%20at,for%20different%20income%20categories%20online>.

families of which Black and Hispanic families are far below the average of all families (and even more below that of White not Hispanic families). The implication of this is that **while the HUD AMI leaves all Philadelphians at a disadvantage, it leaves Philadelphians who are Black or Hispanic at a unique disadvantage.**

Not only are the medians different (White not Hispanic = \$108,698; Black = \$52,603; Hispanic = \$44,161) but the entire distribution of Black and Hispanic incomes is shifted toward lower values. Figure 7 displays family incomes for White not Hispanic, Black, and Hispanic families in Philadelphia.

For example, 54.1% of White not Hispanic families have incomes more than \$100,000; that compares to 21.4% of Black families and 17.4% of Hispanic families. Alternatively, 12.3% of White not Hispanic families have incomes below \$40,000; that compares to 38.5% of Black families and 41.7% of Hispanic families. **These racial and ethnic differences in family income point to the unique problem that reliance on hypothetical percentages of AMI (e.g., 80% AMI) engenders for Philadelphia’s residents of color. Thus, rental housing affordable for families at 80% AMI may work well for a majority of White not Hispanic families (because the city’s White not Hispanic families have incomes much closer to the HUD AMI), it will fail to be affordable to much larger percentages of Black and Hispanic families.**

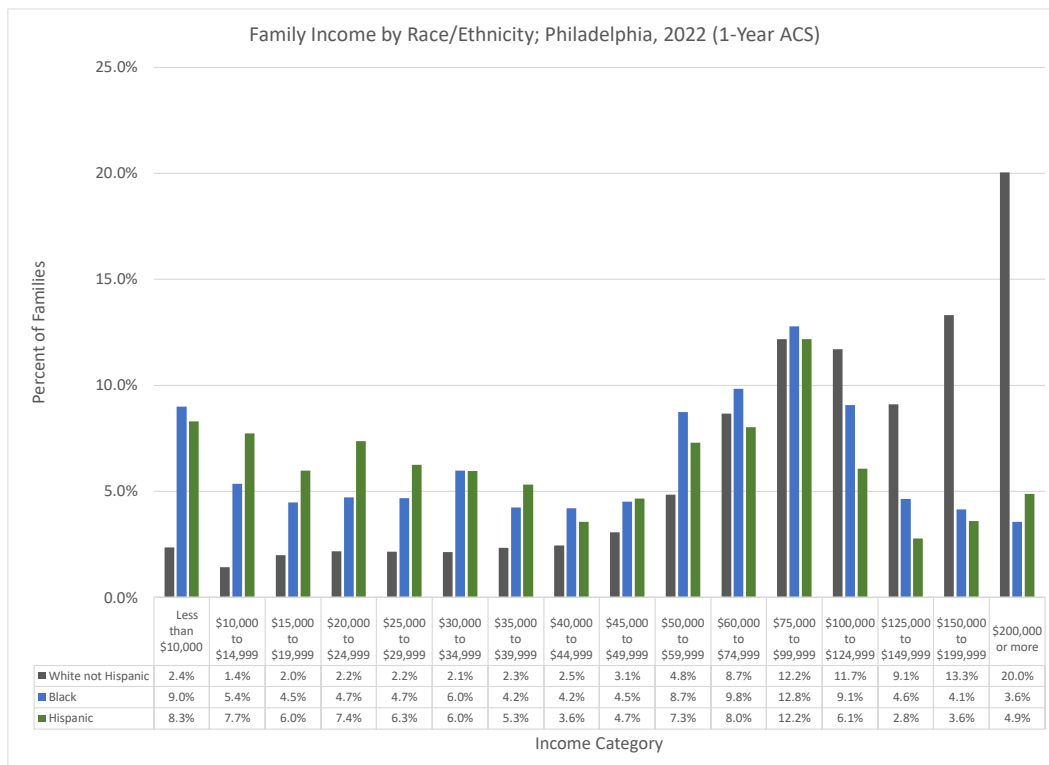


Figure 7: Family Income by Race and Ethnicity; Philadelphia, 2022 1-Year ACS

Figure 8 displays estimates of the percent of households that would have sufficient income and be generally income-eligible for homes renting at the HUD 60% AMI threshold.¹⁶ Households with incomes below 45% HUD AMI for their given household size might well be eligible but could not afford that rent; households between 45% and 55% are eligible and are close to having sufficient income; households between 55% and 65% are in a target range of eligibility in that they have sufficient income and are in the range of eligibility; households with incomes greater than 65% of HUD AMI likely have income beyond the range of eligibility. A few observations from these estimations:

- The target range of eligibility (incomes that are 55%-65 of the HUD AMI) represents a small proportion of all Philadelphia (and Philadelphia renter) households.
- Large and disproportionate shares of Black not Hispanic and Hispanic renter households have incomes that are too low to be able to afford units with rents aimed at 60% HUD AMI – and that is the case across all household sizes.
 - Nearly half of all Hispanic and Black not Hispanic renter households are well below the income-sufficiency range compared to White not Hispanic renter households.
 - Larger shares of Hispanic and Black not Hispanic renter households have nearly sufficient income.
 - Conversely, much greater shares of White not Hispanic households have incomes above the 60% AMI threshold.
- Affordability challenges are greatest, across all groups, for the 1 person and 5+ person households; the situation tends to be a little better for 2 and 3-4 person households.

¹⁶ Estimates are based on the 2017-2021 American Community Survey for Philadelphia (see footnote 18). Household income is inflated by 12.17%, using the same inflation factor as HUD in its production of the AMI. Household sizes are based on the number of people in the household. The threshold for households with 3 to 4 people is the average of the 3-person and 4-person threshold established by HUD. The threshold for households with 5 or more people is the average of 5, 6, and 7 person households.

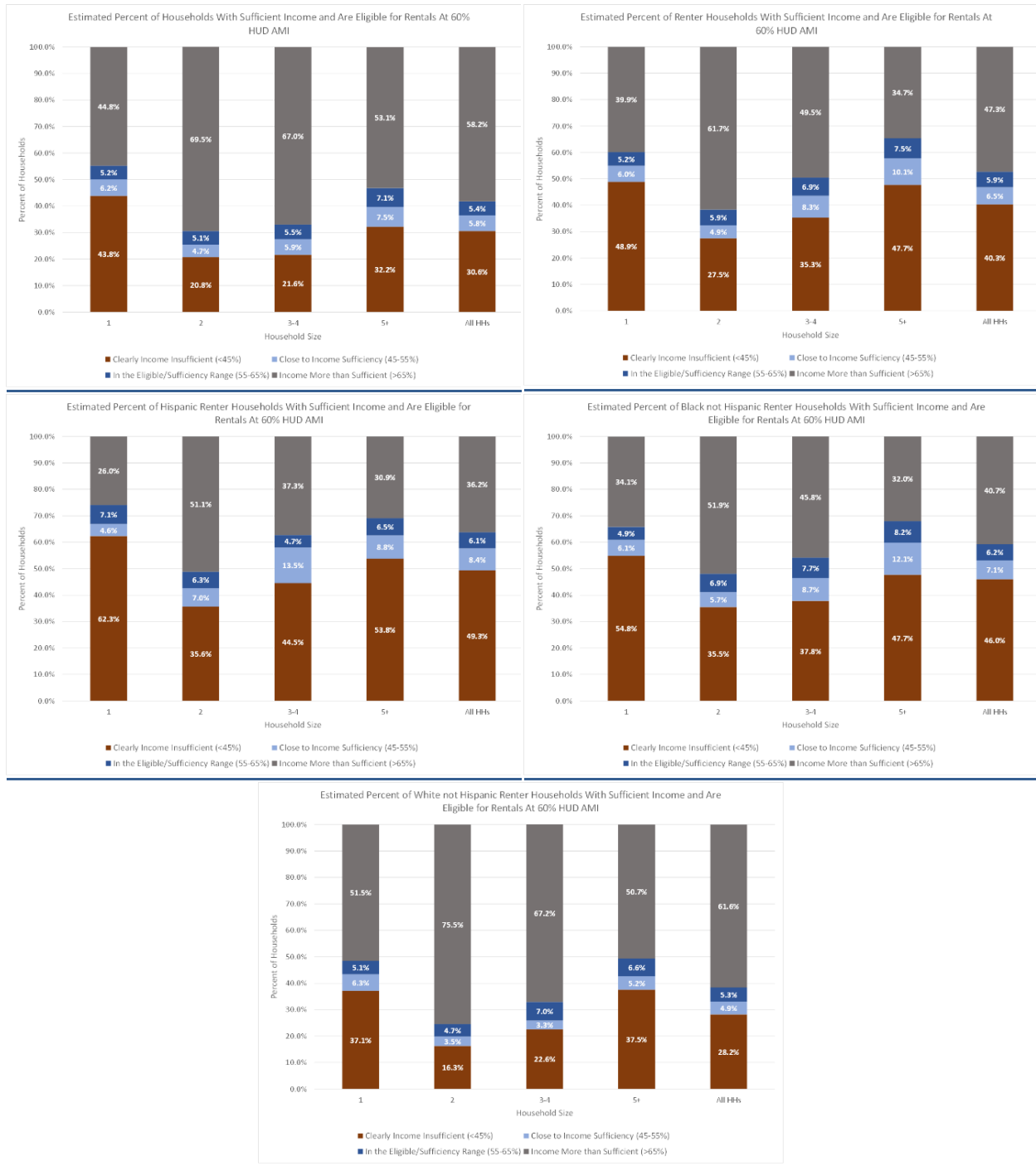


Figure 8: Estimated Percent of Renter Households With Sufficient Income and Are Eligible for Rentals At 60% HUD AMI

Conclusion

Across the country, millions of households are struggling to pay their rent.¹⁷ Notwithstanding Philadelphia's relatively enviable history of having an affordable housing stock both for owners and renters, Philadelphians also struggle mightily to pay their rent and purchase homes – and still afford all their other necessary expenses.

In Philadelphia, analysis of the most recent available 5-Year 2018-2022 ACS shows that there are some 39,647 renter households with incomes under \$10,000; of those, 97.2% are cost burdened. Among these lowest income renters, 6.4% spend between 30 and 49.9% of their income on housing (i.e., they are cost burdened) and another 90.8% spend more than 50% (i.e., they are severely cost burdened). Of the 47,345 renter households with incomes between \$10,000 and \$19,999, the picture is similarly challenged: 17.7% are cost burdened and another 67.8% are severely cost burdened. Renter households that are cost burdened are not limited to the lowest income households. Of renter households earning between \$50,000 and \$74,999 – middle income Philadelphians – 36% are burdened.¹⁸

The analysis presented here shows that programs with subsidies tied to the regional average income in a region where Philadelphia is far and away the lowest income county makes that housing out of reach for far too many Philadelphians – not only the lowest income families, but even those that we all think of as average income Philadelphians.

For well-meaning policymakers and practitioners, it is hard to understand how it is that we create affordable subsidized housing only to learn that people who need it cannot afford it. As Justice Brandeis once said: Sunlight is said to be the best of disinfectants.¹⁹ The analysis presented here is that sunlight. We *think* we are reaching lower income people when we set rents at a fraction of AMI (e.g., an 80% of AMI threshold suggests that the rent would be affordable to people a good bit below average), but when that AMI is not representative of a community's "M", it leaves a lot of people out. That fractional AMI does a much better job reaching residents in Bucks and Montgomery counties where the average income is much higher (see Figure 2 and Appendix).

Murphy (2017) writes: "...a higher or lower AMI won't change the hard math of housing costs [in New York City]. The real mismatch ... is between the increasing cost of building and maintaining housing and the stagnant income of many [New Yorkers]." p. 2. This concern is well-founded and takes on added importance in an inflationary period. The Census' Price Index

¹⁷ In the 2023 Out of Reach report, the National Low Income Housing Coalition states that there are 20.8 million renter households that are cost burdened and 11.3 million that are severely cost burdened.

<file:///C:/Users/goldsteini/Downloads/2023oor.pdf>

¹⁸ Reinvestment Fund computations based on the 5-year ACS for Philadelphia County, 2018-2022; Table B25074. We revert to the 5-year ACS because the actual sample sizes are larger, which provides for some greater statistical stability in the figures as we parse cost-burdens by tenure and income level.

¹⁹ See: <https://louisville.edu/law/library/special-collections/the-louis-d.-brandeis-collection/other-peoples-money-chapter-v>

of New Single-Family Houses Under Construction²⁰ rose 42.2% over the last five years; 22.3% just over the last two. Case-Schiller reports a near 50% rise in its national price index.²¹ Those construction and sale price increases compare to a 29.6% increase, nationally, in personal income.²²

Like many complex issues, there is no single solution to the affordability problem. Adding supply at various price points and rent levels is one strategy most agree is part of the solution set – although scholars disagree about whether (or the degree to which) market-rate construction does actually impact positively households at the lowest income levels.²³ The federal Low Income Housing Tax Credit (LIHTC) is the vehicle through which more than a hundred thousand affordable units are constructed each year; 3.7 million since the program was created.²⁴ But as much as it creates, it is not enough. Moreover, LIHTC affordability is not permanent; estimates are that the nation may lose more than 340 thousand units over the next five years as the period of affordability expires.²⁵ And as much as LIHTC creates, left-leaning, right-leaning and centrist/non-partisan groups – including governmental entities such as GAO and OMB – agree that it is an inefficient way to fill the nation’s housing need, and that it is a program that lacks sufficient oversight.²⁶

Thinking that we are addressing the housing need for an array of households at varying levels (and tenure preferences) with an inaccurate benchmark though is not part of the solution set. Federal, state, and local governments need to both find more efficient ways to subsidize housing and add to amounts currently dedicated to meeting the housing needs of our neighbors. Additionally, we need to think about the costs to produce housing for people of modest means, particularly where federal subsidy is used, and where we can wring some efficiencies out of a system that most agree is not maximally efficient. Unless those efficiencies are achieved in the production of affordable housing, we will not bend the curve on the substantial and increasing cost burdens experienced by lower and moderate income renters²⁷ –

²⁰ See: <https://www.census.gov/construction/cpi/current.html>

²¹ See: <https://fred.stlouisfed.org/series/CSUSHPINSA>

²² See: <https://fred.stlouisfed.org/series/PI>

²³ See, for example: Mast, Evan. “JUE Insight: The effect of new market-rate housing construction on the low-income housing market” *Journal of Urban Economics*, 2023. <https://doi.org/10.1016/j.jue.2021.103383>

²⁴ See: <https://bipartisanpolicy.org/blog/preserving-lihtc-housing/>

²⁵ See: <https://preservationdatabase.org/reports/preservation-profiles/>

²⁶ See, for example: <https://blog.freopp.org/the-unintended-consequences-of-the-low-income-housing-tax-credit/>, <https://www.cato.org/tax-budget-bulletin/low-income-housing-tax-credit-costly-complex-corruption-prone#complex-and-costly-process>, <https://taxfoundation.org/research/all/federal/low-income-housing-tax-credit-lihtc/> or <https://www.gao.gov/products/gao-24-107064>

²⁷ See:

https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2023.pdf

and that includes the demonstrably high percentages of average and near-average income Philadelphia renter households whose incomes are below HUD's 60% AMI (see Figure 8).

Lastly, not every public dollar of support to create housing is the same. Each dollar carries with it various obligations that impact the amount of that dollar that can go to actual production. Those obligations are generally understood to have import in furtherance of one or another public policy agenda, but each of those obligations has a cost. Accordingly, it is important to bear that in mind as the various public and private funding streams are weaved together to create housing that is affordable at different income levels and tenure types. Getting to the lower levels of federal AMI – or the lower levels of the recomputed Philadelphia resident-specific AMI which is highlighted herein – is a challenge. But support is needed across many of the local economic strata, and wringing the greatest cost efficiency and using the most appropriate funding sources wherever possible is paramount.

Appendix:

County Median Family Income and HUD AMIs for the Philadelphia Region; 1999-2022

Income	New Castle, Delaware	Cecil, Maryland	Burlington, New Jersey	Camden, New Jersey	Gloucester, New Jersey	Salem, New Jersey	Bucks, Pennsylvania	Chester, Pennsylvania	Delaware, Pennsylvania	Montgomery, Pennsylvania	Philadelphia, Pennsylvania
Median family income in 1999 (SF3)	\$ 62,144	\$ 56,469	\$ 67,481	\$ 57,429	\$ 62,482	\$ 54,890	\$ 68,727	\$ 76,916	\$ 61,590	\$ 72,183	\$ 37,036
HUD median family income (1999)	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800	\$ 57,800
Median family income in 2010 (ACS 2006-2010)	\$ 78,072	\$ 75,742	\$ 91,185	\$ 73,385	\$ 85,832	\$ 72,537	\$ 90,724	\$ 101,760	\$ 77,879	\$ 94,592	\$ 45,619
HUD median family income (2010)	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300	\$ 78,300
Median family income in 2022 (ACS 2018-2022)	\$ 107,671	\$ 103,315	\$ 122,708	\$ 102,893	\$ 121,675	\$ 92,541	\$ 130,183	\$ 144,484	\$ 112,011	\$ 134,397	\$ 67,168
HUD median family income (2022)	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400	\$ 105,400
County income as a % of HMD AMI 1999	107.5%	97.7%	116.7%	99.4%	108.1%	95.0%	118.9%	133.1%	106.6%	124.9%	64.1%
County income as a % of HMD AMI 2010	99.7%	96.7%	116.5%	93.7%	109.6%	92.6%	115.9%	130.0%	99.5%	120.8%	58.3%
County income as a % of HMD AMI 2022	102.2%	98.0%	116.4%	97.6%	115.4%	87.8%	123.5%	137.1%	106.3%	127.5%	63.7%
Percent change in resident income: 1999-2022	73.3%	83.0%	81.8%	79.2%	94.7%	68.6%	89.4%	87.8%	81.9%	86.2%	81.4%
Percent change in HUD AMI: 1999-2022	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%	82.4%

Appendix: Household Income Distribution by Race and Ethnicity for Philadelphia (Inflated to 2023 Dollars)

