

Current Numbers for Moderate Income Housing in Pottawatomie County

“Affordable” Is a Relative Term, But Can Be Based on Calculations

The term moderate income housing refers to housing options that are affordable to households earning a moderate income, generally defined as those earning between 80% and 120% of the area median income (AMI). This range varies by location, as it's based on the local cost of living and income levels.

The Pottawatomie County AMI is \$85,241.*

For an area median income (AMI) of \$85,241, we can calculate the moderate income range (80-120% of AMI) and what a reasonable housing cost would be based on standard affordability guidelines.

Moderate Income Range

- **80% of AMI:** $\$85,241 * 0.80 = \$68,193$
- **120% of AMI:** $\$85,241 * 1.20 = \$102,289$
- Therefore, the moderate income range would be **\$68,193 to \$102,289**.

Affordable Housing Costs

A common guideline is that housing should not exceed **30% of a household's income** to be considered affordable. *(Note: Some believe this guideline to be antiquated and doesn't take a household's full financial situation into account. Someone who has student loans, one or more children in childcare, and a car payment may not be able to pay anywhere near 30% of their household income on housing).*

- For households at the lower end of the range:
 - $\$68,193 * 0.30 = \$20,458$ annually or approximately **\$1,705 per month**.
- For households at the higher end of the range:
 - $\$102,289 * 0.30 = \$30,687$ annually or approximately **\$2,557 per month**.

So, for households in the moderate income range of \$68,193 to \$102,289, a reasonable amount to spend on housing would be no more than **\$1,705 to \$2,557 per month**.

This means, to retain and attract a workforce, we need a supply of housing available at no more than \$1,705 to \$2,557 per month.

Homeowners Statistically Stay in the Community Longer Than Renters

While rental options are necessary, for long term sustainability, home ownership is more advantageous for the community. Statistically speaking, people who own homes tend to stay in a community for a longer period of time compared to people who rent, as homeownership is generally associated with greater residential stability and less frequent moves; meaning homeowners are more likely to remain in the same neighborhood for extended periods.

Monthly Mortgage Payments and Loan Amounts (Hefty Down Payments Needed)

To estimate the house purchase price range for a monthly mortgage payment of \$1,705 to \$2,557, we'll make a few assumptions:

1. Mortgage Term: 30 years (360 months).
2. Interest Rate: Let's assume a rate of around 6%, though the rate may vary.
3. Down Payment: 20% of the purchase price, as this affects the loan amount.

Using a mortgage formula to reverse-calculate purchase price, someone with a 20% down payment, securing a 30-year term at a 6% interest rate would be able to buy a house with a purchase price of \$355,475 to \$533,108 and have a monthly payment of \$1,705 to \$2,557.

However, if the down payment is adjusted down to 10% on that same house with the same rate, the estimated monthly mortgage payment would be approximately \$1,918 to \$2,877, which puts it out of the price range of many households.

With no down payment and monthly mortgage payments between \$1,705 and \$2,557, at a 6% interest rate over a 30-year term, the **estimated house price range that could be affordable is approximately \$284,380 to \$426,486.**

Decreasing Number of Buyers Putting 20% Down

The percentage of homebuyers who make a 20% down payment has decreased in recent years, as many buyers are opting for lower down payments, especially first-time homebuyers.

According to recent data from the National Association of Realtors (NAR) and other real estate reports:

- **About 35% to 40%** of homebuyers put down 20% or more. This is more common among repeat buyers who may have built equity in previous properties and can apply larger down payments to new purchases.

- **First-time homebuyers** typically put down much less than 20%, often closer to 6-7%. Programs like FHA loans allow for as little as 3.5% down, while other conventional loans may offer options with 3-5% down payments.

Factors like rising home prices, inflation, and competitive housing markets have led more buyers to choose lower down payment options, keeping the 20% down payment less common than in past decades. These same factors have also called into question if the common financial guideline of spending no more than 30% of your household income on housing is considered reasonable. It depends heavily on an individual's location, personal finance situation, and other living expenses.

The Numbers Tell Us The Types of Housing We Need

In conclusion, a healthy supply of moderate income housing is essential for Pottawatomie County's long-term economic sustainability and community stability. By ensuring that homes within the **\$1,705 to \$2,557 per month** price range are available, either for rent or purchase, the county can better support a stable, essential workforce and attract new residents. This approach not only provides immediate benefits in the form of workforce retention and attraction but also fosters lasting community resilience by enabling homeownership, which often leads to deeper community roots and less frequent relocations.

**Notes Regarding Area Median Income (AMI)*

- *Household incomes skew higher closer to Manhattan and lower everywhere else in Pottawatomie County.*
- *The median household income in St. Marys, Kansas is \$69,183 as reported by the 2022 American Community Survey 5-Year Estimates.*
- *According to the same survey, the median household income in Wamego is \$88,942, \$57,000 in Westmoreland, and \$47,500 in Onaga.*