

Affordable Housing vs. Social Housing

What is “affordable” housing?

According to the United States government, housing is “affordable” if it costs a household no more than 30% of the monthly household income for rent and utilities. Most federal and state housing assistance programs set maximum incomes for eligibility to live in subsidized housing, and maximum rents and housing costs that may be charged to eligible residents, usually based on their incomes.

Affordable housing is housing that is deed-restricted for households with low-income and is usually financed with public funds. Affordable housing fills a need for low-income households that the housing market, even in a healthy housing market, does not meet.

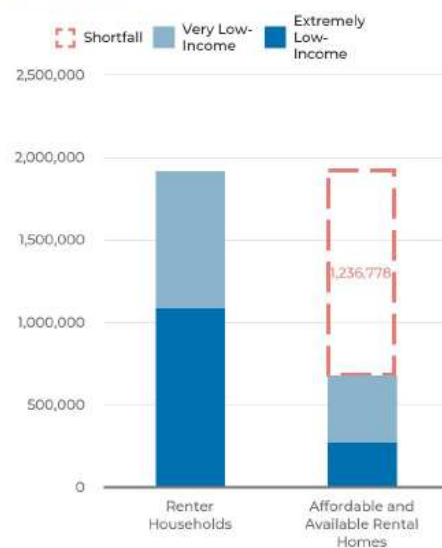
The California Department of Housing and Community Development (HCD) publishes annual tables of official federal and state income limits for determining these maximums for a variety of programs. State statutory limits are based on federal limits set and periodically revised by the U.S. Department of Housing and Urban Development (HUD). HUD’s limits are based on surveys of local area median income (AMI). The commonly used income categories are approximately as follows, subject to variations for household size and other factors:

- Acutely low-income (ALI): 0-15% of AMI
- Extremely low-income (ELI): 0 to 30% of AMI
- Very low-income (VLI): 30% to 50% of AMI
- Low-income (LI): 50% to 80% of AMI¹
- Moderate-income (Mod): 80% to 120% of AMI
- Above moderate-income (Above Mod): 120% of AMI and above

What are the needs for Affordable Housing in California?

AFFORDABLE HOMES SHORTFALL

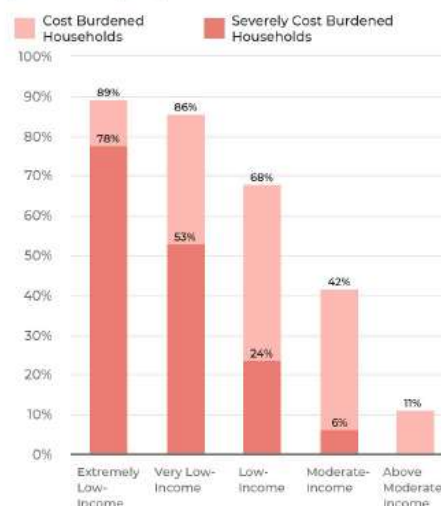
1,236,778 low-income renter households in California do not have access to an affordable home (2019).



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COST BURDENED RENTER HOUSEHOLDS BY INCOME

78% of ELI households in California are paying more than half of their income on housing costs compared to just 6% of moderate-income households (2019).



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¹ The term “lower income” may be used to mean all low-income categories, 0% to 80% of AMI.

Who is considered “low-income” in California?

Most subsidized affordable housing developments are built for families and individuals with incomes of 60% or less than AMI; as noted above, AMI is set regionally and means different things in different areas of the state.

Sacramento County, 2023

	LI (80% AMI)	VLI (50% AMI)	ELI (30% AMI)
2-person household	\$68,600	\$42,900	\$25,750
4-person household	\$85,750	\$53,600	\$32,150

Renters in Sacramento need to earn \$32.23 per hour (\$5,587 per month) to afford the average monthly asking rent of \$1,676.² A renter earning minimum wage makes \$2,687 per month (\$32,244 year), medical assistants make \$4,712 per month (\$56,544 year), Sacramento Unified School Teacher (with a BA) makes between (\$50,000 and \$62,000 year year).

Los Angeles County, 2023

	LI (80% AMI)	VLI (50% AMI)	ELI (30% AMI)
2-person household	\$80,750	\$50,450	\$30,300
4-person household	\$100,900	\$63,050	\$37,850

Renters in Los Angeles need to earn \$47.15 per to afford the average monthly asking rent of \$2,452³. A renter earning Los Angeles’ minimum wage makes \$2,780 per month (\$33,360 per year), medical assistants make \$3,657 per month (\$43,884 per year), and a Los Angeles Unified School Teacher starts at \$5,166 per month (\$62,000 per year).

Riverside County, 2023

	LI (80% AMI)	VLI (50% AMI)	ELI (30% AMI)
2-person household	\$59,650	\$37,300	\$22,400
4-person household	\$74,550	\$46,600	\$30,000

Renters in Riverside County need to earn \$36.19 per hour to afford the average monthly asking rent of \$1,882.⁴ A renter earning minimum wage makes \$2,687 per month (\$32,244 per year), medical assistants make \$3,418 per month (\$41,016 per year), and a Riverside Unified School District Teacher (with a BA) starts at \$5,728 per month (\$68,744 year).

How is affordable housing financed?

To learn more about how affordable housing is financed and available state programs, please see the “Affordable Housing Finance and Overview of State Programs” fact sheet.

² *Sacramento County 2023: Affordable Housing Needs Report*. California Housing Partnership Corporation. Accessed here: https://chpc.net/wp-content/uploads/2023/05/Sacramento-County_Housing-Report_2023.pdf

³ *Los Angeles County 2023: Affordable Housing Needs Report*. California Housing Partnership Corporation. Accessed here: https://chpc.net/wp-content/uploads/2023/05/Los-Angeles-County_Housing-Report_2023.pdf

⁴ *Riverside County 2023: Affordable Housing Needs Report*. California Housing Partnership Corporation. Accessed here: https://chpc.net/wp-content/uploads/2023/05/Riverside-County_Housing-Report_2023.pdf

What is “social” housing?

Social housing is simply publicly-subsidized housing, but within a specific framework, most commonly used outside of the United States. All definitions of social housing distinguish it in various ways from privately-owned, for-profit housing provided through market mechanisms. The Assembly Select Committee on Social Housing held an informational hearing on October 20, 2021 and Rob Weiner from the California Coalition for Rural Housing shared the Organization for Economic Cooperation and Development (OECD) definition of social housing as: “the stock of residential rental accommodations provided at sub-market prices and allocated according to specific rules rather than according to market mechanisms.”⁵

Under this definition, there are an estimated 480,000 subsidized housing units available for rent in California, or about 3.5% of the state’s housing stock. These deed-restricted affordable rental units are generally built using a mix of public and private financing and residency is restricted to low-income households that make no more than 80% of county area median income (AMI). Other versions of social housing specify permanent affordability requirements and ownership by the government or a non-profit entity. Most of California’s deed-restricted affordable housing is not publicly owned and the length of affordability requirements varies, though permanent affordability is not required in most cases.

Another variation of social housing involves making accommodations available to all individuals regardless of their household income. In particular, Vienna, Austria is often held up as an example of a large city with widespread mixed-income social housing. The Viennese model relies on two key components: government owned, funded, and maintained social housing blocks and public-private partnerships for mixed-income, cross-subsidized housing. Cross-subsidization occurs when higher income households pay market rate rents which then subsidize the below market rents for lower-income households. This mechanism is the same logic that underlies California’s density bonus law—a policy that allows residential developers to receive added density and other concessions and incentives from a local government in exchange for building a certain percentage of affordable units—and inclusionary housing ordinances—which mandate housing developers build a certain percentage of affordable units or pay in-lieu fees that are used to pay for future affordable housing.

Although Vienna provides access to affordable housing for a considerable portion of the population, private developers still play a role in the housing market. The large number of cross-subsidized mixed income housing units create competition in the private rental market, and private developers are forced to maintain low rents to remain competitive.

⁵ California Assembly Select Committee on Social Housing. October 20, 2021. <https://www.assembly.ca.gov/media/assembly-select-committee-social-housing-20211020/video>