

## **Affordability Risk Index Guide**

IHDA / Strategic Planning and Research

May 2021

### **Summary of the Affordability Risk Index:**

The Affordability Risk Index is a tool intended to identify census tracts throughout Illinois that are at risk of losing rental housing affordability. The Affordability Risk Index also provides a point-based incentive in the QAP for developers to preserve affordability in areas that are becoming less affordable at a faster rate. Census tracts where the risk of affordability loss is greatest receive the highest score in this index.

The Affordability Risk Index uses the American Community Survey data to measure change over time (between 2014 and 2019) across various factors that indicate affordability loss: Median Household Income; Median Home Value; Families Below the Federal Poverty Level; Housing Unit Vacancy; Renter Tenancy; Individuals Employed in Management; Business, Science and Arts Occupations; and Individuals with a 4-year Degree (Bachelor's) or Higher.

*A listing of all census tracts in the State of Illinois and their respective Affordability Risk Index score can be found on the IHDA website along with an interactive map visualizing these tracts.*

### **Factors and Calculations:**

Affordability Risk Index Factors were chosen based datasets typically used to measure decreasing affordability of an area. The 2014-2019 American Community Survey (ACS) data was used to contrast change from the 2008-2014 ACS data. Using these two datasets, the factors were calculated as follows:

#### **1) Median Household Income**

Median household income for each census tract from the ACS data were multiplied by a factor of 1.08 (obtained from the Bureau of Labor Statistics), in order to compensate for inflation and adjust 2014 dollars to 2019 dollars (used in the 2019 ACS data). Census tracts were grouped by geographic set-aside and set-aside averages were calculated for each. The relative change between the data sets was calculated for each census tract as well as the relative change between the set-aside averages. Any census tract indicating a relative change at a level greater than its set-aside average met this threshold.

#### **2) Median Home Value**

Median home values for each census tract from the ACS data were multiplied by a factor of 1.08 (obtained from the Bureau of Labor Statistics), which would adjust 2014 dollars to 2019 dollars (used in the 2019 ACS data) and compensate for inflation. Census tracts were grouped by geographic set-aside and set-aside averages were calculated for each. The relative change between the data sets was calculated for each census tract as well as the relative change between the set-aside averages. Any census tract indicating a relative change at a level greater than its set-aside average met this threshold.

#### **3) Families below the Federal Poverty Level**

The number of families living below the federally defined poverty level was divided by the number of total families for each census tract. The relative change between the datasets was calculated for each census tract as well as the relative change between the State averages. Any census tracts indicating a relative change at a level less than the State average, including those indicating a decline in family poverty rates, met the threshold for scoring (1) one or (2) points (a score of 2 points would be achieved if the census tract also saw a decline in vacancy or had a 2019 level below 3.5%; see Housing Unit Vacancy below). For points 3, 4, and 5, census tracts with a poverty rate below the State average poverty rate under the 2019 ACS data, as well as indicating a relative change less than the State average relative change from the first threshold, meet the next threshold.

#### 4) Housing Unit Vacancy

The number of total vacant housing units was divided by the number of total housing units for each census tract. The relative change between the datasets was calculated for each census tract as well as the relative change between the State averages. Any census tract for which the data indicating a relative change at a level less than the State average, or a 2019 housing vacancy rate below 3.5% met this threshold.

#### 5) Renter Tenancy

The number of total renter occupied households was divided by the number of total occupied households for each census tract. The relative change between the datasets was calculated for each census tract as well as the relative change between the State averages. Any census tracts indicating a relative change at a level less than the State average, including those indicating a decline in renter tenancy, met this threshold.

#### 6) Individuals Aged 16 and Over Employed in Management, Business, Science and Arts Occupations

The number of total individuals employed in management, business, science and arts occupations was divided by the total number of individuals aged 16 and over for each census tract. The relative change between the datasets was calculated for each census tract as well as the relative change between the State averages. Any census tracts indicating a relative change at a level higher than the State average met this threshold.

#### 7) Individuals Aged 25 and Over with a 4-year Degree (Bachelor's) or Higher

The number of total individuals with a four-year degree or higher was divided by the total number of individuals aged 25 and over for each census tract. The relative change between the datasets was calculated for each census tract as well as the relative change between the State averages. Any census tracts indicating a relative change at a level higher than the State average met this threshold.

#### **Additional Process Notes:**

Median Household Income and Median Home Value were adjusted for inflation. 2014 dollars were adjusted to 2019 dollars used by 2019 ACS data by multiplying by a factor of 1.08 (obtained from the U.S. Department of Labor's Bureau of Labor Statistics). It should also be noted that any census tract showing a relative rate of change that is negative is eliminated from scoring in that category.

#### **Point Scores in the QAP:**

1 point - Family poverty rate meets first threshold (relative rate of change is below the State average relative rate of change)

2 points - Family poverty rate meets first point threshold above and housing unit vacancy relative rate of change is below the State average relative rate of change or is below 3.5%

3 points - Family poverty rate meets first threshold (relative rate of change is below the State average relative rate of change); housing unit vacancy relative rate of change is below the State average relative rate of change or is below 3.5%; and 2 of the other factor thresholds are met

4 points - Family poverty rate is less than the State average **and** the relative rate of change is below the State average relative rate of change); housing unit vacancy relative rate of change is below the State average relative rate of change or is below 3.5%; and 3 of the other factor thresholds are met

5 points - Family poverty rate is less than the State average **and** the relative rate of change is below the State average relative rate of change); housing unit vacancy relative rate of change is below the State average relative rate of change or is below 3.5%; and 4 of the other factor thresholds are met

**Reference:**

U.S. Census Bureau. American Community Survey, 2008-2014.

U.S. Census Bureau. American Community Survey, 2014-2019.

U.S. Bureau of Labor Statistics. Consumer Price Index Inflation Calculator.