



Affordability Covenants

Affordability covenants can be incorporated into affordable housing projects to limit the resale price of ownership units or tie rents to established income thresholds to maintain the affordability of the units. These controls can be set up through regulatory agreements, deed or mortgage restrictions, options or other legal agreements for a set period of time or in perpetuity.

BACKGROUND

Deed- or title-based price controls use income-based restrictions and other qualifications (e.g., household size, employment status) to preserve affordable housing. In owner-occupied housing, price controls ensure that when a unit is put back on the market, it remains at a price attainable to low-income families. The equity the owner has in the home is limited, constraining the return the owner can receive when the home is sold, but conditions in the deed generally ensure that the owner receives some profit. In rental buildings, price controls set rent limits to a percentage of median county income for a particular household size.

TOOL PROFILE

Objectives

[Housing in Centers and Near Transit](#)

[Housing Options in Expensive Markets](#)

[Missing Middle Density](#)

[Mitigate Residential Displacement](#)

Type of Tool

Project-Level Tools

Project Type

Single family

Multifamily

Ownership

Rental

Affordability Level

Most effective for units <80% AMI

CONSIDERATIONS FOR IMPLEMENTATION

Cities can advocate or mandate affordability covenants when a developer is constructing affordable homes. Cities generally do not write the deed or manage the income-screening process. An ordinance attaching a covenant to a specific regulation may specify language to be included in the recorded covenant, including its duration, eligibility requirements, and how the covenant is attached to the property. The covenant is recorded with the county recorder. Depending on how the covenant is written, the city may later play a role in ensuring that the unit remains affordable if the property is redeveloped or resold.

Units constructed under some programs, such as the [multifamily tax exemption](#), require affordable units to remain so for a specified number of years. Affordability covenants can be mandated with a provision of an incentive, such as [density bonuses](#).

A city generally does not have a hand in the sale or rent of units under an affordability covenant. A non-profit developer or housing authority administering the unit usually handles income or household screening required to qualify for the unit. A city may require monitoring or oversight provisions, but most administering groups have these controls in place.

RESOURCES

ARCH (A Regional Coalition for Housing): [Affordable Rental Covenant Template](#) (2020)

City of Kirkland: [Multifamily Tax Exemption Affordability Covenant](#) (2020)

