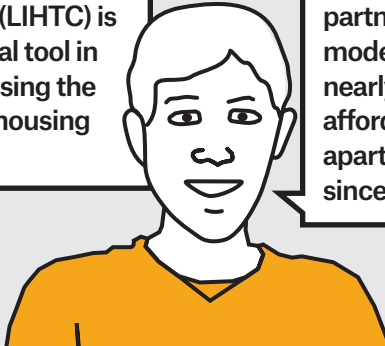


# LIHTC Income Averaging



The Low-Income Housing Tax Credit (LIHTC) is a critical tool in addressing the rental housing crisis.



LIHTC's public-private partnership model financed nearly 3 million affordable apartments since 1987.



A new LIHTC Income Averaging legislative proposal can make the program even more effective.

**Current LIHTC rules** limit eligibility to families earning 60% of Area Median Income (AMI) and usually rely on other capital or rental assistance programs to serve extremely low-income individuals like seniors, people with disabilities, and those who have experienced homelessness.

- Household Income Limit  $\leq$  60% AMI
- Usually serves 54-60% AMI absent other subsidy
- Limits income diversity in affordable buildings

**Proposed LIHTC income averaging rules** increase flexibility to serve households across the low-income spectrum in buildings with mixed incomes.

- Household Income Limit  $\leq$  80% AMI
- Average Household Income Limit  $\leq$  60% AMI (average income of all tax-credit units in building)
- Greater ability to cross-subsidize for deeper affordability
- Optional program component for markets that need it

## How Income Averaging Will Work

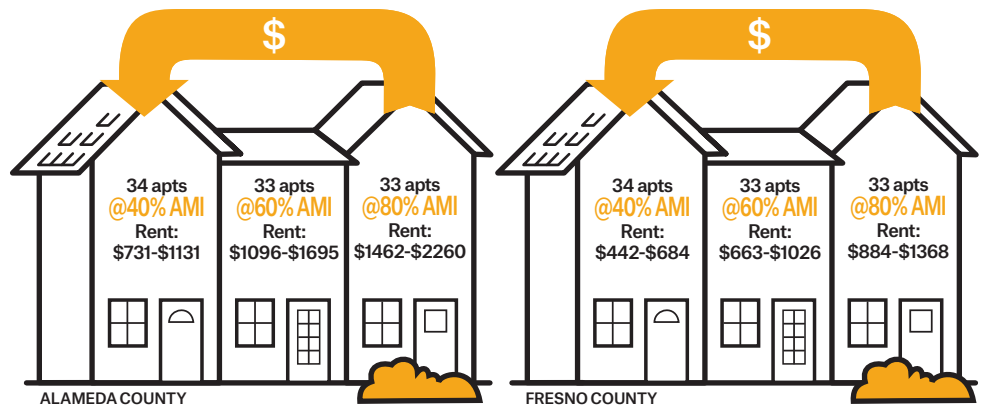
(in the same 100-apartment development)

CURRENT RULES



A typical LIHTC development with 100 apartments

WITH INCOME AVERAGING



Higher rent apartments cross-subsidize very low-income apartments

Note: Rents are based on tax credit rents for a sample of California counties and a mix of apartment sizes (1, 2, 3 and 4 bedrooms)

# Who would LIHTC Income Averaging Help?

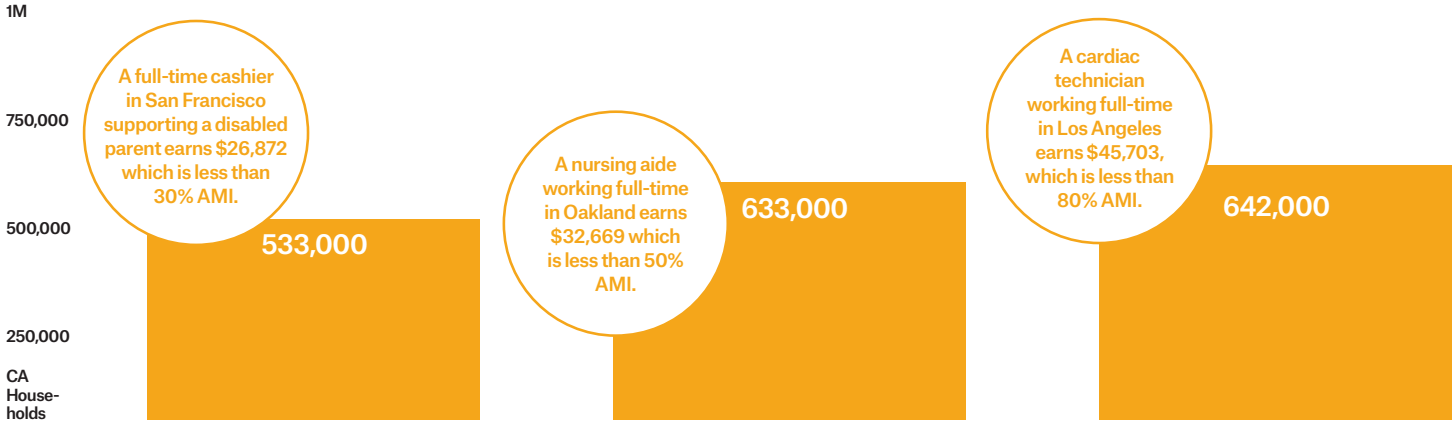
1.8 million low income working households are rent-burdened in California

HUD  
Income  
Categories

**Extremely Low Income**  
(≤30% AMI)

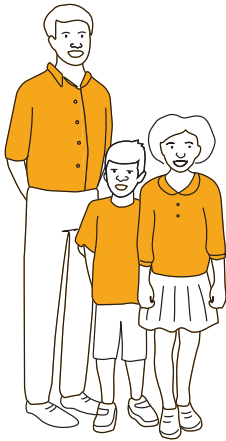
**Very Low Income**  
(>30% AMI, ≤50% AMI)

**Low Income**  
(>50% AMI, ≤80% AMI)



Source: NHC's 2016 Housing Landscape and Paycheck to Paycheck reports

## Real Californians Who Could Qualify With Income Averaging



### Young Family.

A single dad raising his two school-aged children works in a full-time job as school bus driver in Oakland. At present, he makes too little to afford a tax credit apartment.

Household income: \$27,129  
40% AMI



### Single Person Household.

In San Francisco, a female police officer earns too much to afford a tax credit apartment under the current 60% AMI income limit. In a tight rental market, affordable options are limited even for a professional earning 80% AMI.

Household income: \$65,880  
80% AMI



### Rent Burdened Family.

A family of four struggles to afford rent in Los Angeles even with two full-time working parents supporting two young children. The dad works as a groundskeeper and the mom works as a receptionist in a local business.

Household income: \$64,204  
80% AMI

Source: NHC's 2016 Paycheck to Paycheck report

The Low Income Housing Tax Credit is a successful program with bipartisan support.

Let's make it even more effective by enacting Congressional legislation for Income Averaging.



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