



The Unexpected Human Impact of Using the Average Income Test

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Although the economic impact on the nation of the LIHTC program is indisputable and important, most HCCPs believe that the human impact of affordable housing is also extremely important. Affordable housing has been said to be a mission as much as a job. The Average Income Test (AIT) minimum set aside has been around long enough now to see the actual impact it has on the affordable housing industry, and the outlook is better than expected.

This was demonstrated when the authors interviewed the site teams managing AIT properties in several states. This article provides a summary of the results of these interviews. The AIT has resulted in economic benefits, but also human ones that may not have been as obvious when the AIT was first created.

When the AIT set aside was initially discussed with the teams that would be managing these deals, you could almost see the anxiety level rise in their eyes. The thought of keeping track of designations ranging from 20% to 80% Multifamily Tax Subsidy Projects (MTSP) seemed unattainable, and they were not eager to take on the stress it would bring. Little did they know that not only would this new set aside lower their anxiety and stress, but it would bring about a true sense of community they had not experienced before.

More People Helped

Before the AIT, the highest income percentage that could be used on LIHTC properties was 60%, which often eliminated families who needed affordable housing from being able to find it. Teachers, firefighters, police officers, military personnel and health care workers often make slightly more than 60% of area median income, but fall under the 70% and/or 80% income limits.

Also, most of the truly accessible units for persons with disabilities that exist are built as part of federally funded programs under Section 504, such as HOME or HUD Section 8. The next (and the



quickest growing) segment of such units are built because of the motivation provided by tax credit allocation requirements in many states. Finding individuals that need the features of accessible units becomes less difficult for owners with more income levels to choose from. It also relieves such households of the financial burden of retrofitting units themselves, which they have to do with conventional housing under the Fair Housing Act.

There is also an important benefit for families who fall in the lower set aside groups, such as 20%, 30% or 40%. Because the average overall rent limits must be 60% or less, rents are lower and more attainable for lower-income households as well. Those without Housing Choice Vouchers may be able to rent these affordable deeper targeted units.

Benefits to Management

Expanding the maximum income limits to 80% and more affordable rents for lower targeted units means site teams have a much larger pool of people from which to pull. When more people are eligible to live in a community, often maintaining high occupancy isn't as difficult. When site teams no longer have to concentrate on occupancy, they can spend more time focusing on their current residents and the property itself. This results in less turnover. Plus, focusing on the residents is the fun part of property management.

Building Better Communities

Planning resident functions and engaging with residents benefits everyone and allows residents to get to know each other and build a real sense of community. For example, a teacher — who normally would not have been eligible to live at a property if it had been before the AIT — qualified for a higher 70% income limit. After meeting some of her neighbors and their children in the community, she thought it would be nice to have a tutoring session a couple of days a week in the community room where she could help with homework. The first week she had two students. By the third week, she had 17. Think of the long-term scholastic benefits this could yield.

That same property had a firefighter who coached baseball and decided it would be fun to put together a team, inviting children from the community to join. Residents of this community are



spending time with each other, learning from each other and, in the process, are taking great care of the community in conjunction with the management team.

Although the sense of community felt on this and other AIT properties is not necessarily unique to AIT properties, the ability of the management team to build this type of community has proven to be a little easier on the AIT sites. Whether that is because they are no longer working so hard to keep their property full or if it is just because bringing different socio-economic groups together provides the opportunity to learn from one another is not yet clear. It is nice to think it is a little of both.

To be sure, there are challenges to managing AIT properties. This includes making sure the average of 60% is maintained and not being able to speak with a prospect without a cheat sheet listing all the income and rental amounts. However, in balance, the positive impact these communities have makes even the most challenging days we all experience in this industry a little easier to process. Whether you are an HCCP who focuses on the job or the mission part of your role in the industry, the AIT has turned out to support both.

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