



Average Income Test (AIT) Monitoring Challenge

by Scott Michael Dunn, CEO/Owner of Costello Compliance, and Carol Howard, Tax Credit Compliance Advisor

“Help! I have a project that has been designated as an income average project, and I don’t know where to start monitoring for AIT.”

This is a comment often heard as lease up commences on a project. In the last edition of *The Credential*, this series discussed some unexpected benefits that AIT projects and residents have been experiencing. This installment will discuss some practical steps related to accomplishing the AIT effectively.

Many investors want assurances that the owner/agent has a plan to oversee the compliance details, and minimize real or perceived risk of unknown factors presented by the AIT option, so it is critical to be prepared. Developing a specific plan for managing the AIT is a good avenue to meet this challenge.

Create a “Mapping Development Schedule” to assist in providing a plan that can monitor and support accurate information for the AIT. Complete and maintain it throughout the qualification/lease-up period to provide a constant snapshot of the average designations.

A mapping schedule will:

- Ensure that the mix of designations established prior to lease-up is appropriate to the federal and state HFA AIT rules.
- Ensure that the income tiers will be equitably distributed across the project and among bedroom sizes and unit types to satisfy state HFA and Fair Housing policy, as well as additional funding requirement dictated in the regulatory agreements.
- Ensure that income and rent limits are calculated correctly.
- Ensure the changes made to specific designations assigned are recorded.
- Ensure that the designation average is continually met.

Below is a model of a mapping schedule with sampling information. The model you use may differ, but the principles demonstrated in this model will apply.



The following steps and lessons learned give readers an idea of how the mapping model works and how to complete the schedule.

- Fill in the number of units that are restricted to what program at the top left hand of the document. *Lesson: Mapping the units to expectations is crucial for any AIT plan.*
- Insert the total number of the units on the project, including the market-rate units. *Lesson: An entire picture of the project is necessary, including all units.*
- Insert the Tax Credit Allocation date and the Placed in Service (PIS) date. *Lesson: Many crucial factors, such as income limits and rents, relate to these dates.*
- Determine the actual restricted number of units under the program regulatory agreements. *Lesson: Meeting state expectations, as well as the federal needs of the AIT, is important.*
- Fill in as much information as possible on the spreadsheet, except for the household name and household income. That information will be inserted as lease-up/qualifications occur.
- Once all units have been leased or qualified, then the small chart at the bottom right can be completed to determine if your average has been set at 60% or below.
- This mapping schedule can continue to assist in ensuring that the AIT is always maintained by ensuring that updates are made as situations change.

Hopefully, a tool that follows the principles demonstrated here will be a valuable resource for staff whose responsibilities include managing an AIT project to ensure that our properties benefit from the positive features of the AIT.

Scott Michael Dunn, 2019 HCCP of the Year, is the CEO of Costello Compliance and Director of Policy for the Costello Companies. The Costello Companies are developers, builders and managers of affordable housing with clients throughout the country. They are headquartered in Sioux Falls, S.D. Scott Michael has served as part of the Technical Advisor Group on the HCCP Board of Governors for over a decade. He can be reached by email at smdunn@costelloco.com.

Carol A. Howard, 2013 HCCP of the Year, is an independent Tax Credit Compliance Advisor who previously served as the Vice President and Director of Housing Compliance at Boston Capital for many years. Carol currently serves on the Technical Advisory Group for the HCCP Board of Governors after completing two terms as a member of the HCCP Board of Governors. She can be reached by email at choward2524@gmail.com.

Sample Unit Commitments found in Regulatory Agreements

Programs	Total # of Units	LIHTC Information
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HOME	5	Allocation Date: xx/xx/xx
HAP Project based contract	0	Placed in Service Date: xx/xx/xx
Section 8 Portable Vouchers	8	# of BINs / Buildings: 4
Section 811	0	
HFT	4	
LIHTC	62	
Market Rate	14	

13 LIHTC units @ 30%: 5 LIHTC One Bedroom units @ 30% AMI and 8 LIHTC Two Bedroom units @ 30% AMI
15 LIHTC units @ 60%: 9 LIHTC One Bedroom units @ 60% AMI and 6 LIHTC Two Bedroom units @ 60% AMI
15 LIHTC units @ 80%: Two bedroom units @ 80% AMI
14 Market Rate Two bedroom units
4 HTF units: 1 HTF One bedroom unit @ 30% AMI & 3 HTF Two bedroom unit @ 30% AMI. **HTF units are fixed**
5 HOME units: 1 HOME One Bedroom unit @ 50% AMI; 4 HOME Two bedroom unit @ 60% AMI. **HOME units are floating**
 Remaining **19 LIHTC units** can be any designation

Total units on project	76
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BIN # Building #	Unit #	Bedroom Size	Unit Square Footage	Household Name	Household Total Income	Unit Designation (20% - 80%)	Specific Set Aside Max Income	Market Rate Unit Rent	HTF Unit Rent	HOME Unit Rent High/Low	LIHTC Unit Rent	Section 8 or 811 Unit Rent	Notes: (identify if household transferred to another unit or if unit designation changed during lease up)
# 1													
# 2													
# 3													
# 4													

Sample information only

Sample information only

76 total project units of which 62 units are LIHTC

Income Averaging Analysis				Comments
Unit Type	No. Units (Overall)	AMI Percentage	Total	
1BR @ 30%	6	30%	180%	
1BR @ 60%	10	60%	600%	
2BR @ 30%	12	30%	360%	
2BR @ 50%	2	50%	100%	
2BR @ 60%	14	60%	840%	
2BR @ 80%	18	80%	1440%	
Total	62		3520%	
Average			56.77%	Average set aside has to be at 60% or below

NOTE: to determine the average, all LIHTC units are accounted for and incorporate the regulatory requirements