



Connecticut Housing Finance Authority

Guideline for Utilizing the Income Averaging Minimum Set-Aside for Applications Under Consideration or Already Approved

2018

CHFA Guidelines for Utilizing the Income Averaging Minimum Set-Aside for Applications Under Consideration or Already Approved

The Consolidated Appropriations Act of 2018 establishes income averaging as a new minimum set-aside election for new LIHTC developments. It allows LIHTC Qualified Units to serve households earning as much as 80% of Area Median Income (AMI) so long as the average income limit of the Qualified Units is 60% or less of AMI. Designated income levels for the Qualified Units may be set at 10% increments between 20% and 80% of AMI. CHFA will accept proposals for utilizing income averaging in applications that are under consideration, have already been approved or awarded by CHFA's Board of Directors, or have already initial closed, subject to the requirements outlined below.

General Requirements for All Income Averaging Proposals

- CHFA will not consider any proposal that includes an increase to 9% LIHTCs
- Utilization of income averaging requires CHFA consent
- Proposals will not be accepted without evidence of approval by the syndicator
- Depending on the magnitude of the proposed changes, reconsideration by the CHFA Board of Directors may be required, and/or the Mortgagor may incur additional fees
- The change in the AMI bands must be supported by a market study
- The proposal must maintain the requirements of any CHFA/DOH funding award
- A revised Consolidated Application and associated exhibits may be required
- Sufficient time must be allowed for CHFA to underwrite the new proposal
- If the use of income averaging triggers higher fees for compliance monitoring, the increase will need to be incorporated into the project budget

Additional Requirements for Developments that have Already Initial Closed

- Proposals will only be considered for Developments that have not yet executed form 8609
- The proposal must create additional Qualified Units and allow for a reduction to scarce State resources (e.g. funding from CHFA, DOH, or another State agency)
- The proposal must continue to meet the requirements of Section 42 and Section 142 of the Internal Revenue Code
- Set-aside elections made in the Extended Low-Income Housing Commitment executed at initial closing and recorded on the land records may need to be amended

Additional Requirements for Developments that have Received a 9% LIHTC Award

- The proposal must include all the items for which points were awarded, including maintaining sufficient levels of 25% AMI units and unrestricted market rate units
- 25% AMI units may be counted at 30% AMI for purposes of income averaging, but the ELIHC shall require those units to be restricted to households at or below 25% of AMI
- The proposal must continue to meet the requirements of Section 42 of the Internal Revenue Code

Additional Requirements for Developments with Financing Approved by the CHFA Board of Directors but Not Yet Initial Closed

- The proposal must create additional Qualified Units and allow for a reduction to scarce State resources (e.g. ITA, DOH, etc.)
- The proposal must continue to meet the requirements of Section 42 and Section 142 of the Internal Revenue Code

Developers wishing to propose the use of income averaging must contact Debbie Alter at 860-571-4234 or deborah.alter@chfa.org for further guidance.

Please review the Frequently Asked Questions for additional information. Any remaining questions can be directed to Debbie Alter.