

## Income Averaging- Creating More Housing Now!

With the goal of working towards the creation of Industry Standards, Dominion is proud to share much of what we have learned about [income averaging](#) through discussions with industry experts in a series of topic-based correspondence that is meant to be shared with all interested industry professionals. We hope that through the sharing of this content, we can encourage the industry to work together to create widely accepted practices of how to utilize income averaging in a way that is both consistent and marketable.

### ARTICLE 3: Income Averaging in Practice

In [last week's article](#), we discussed the "Compelling Why" of how Income Averaging is an incredible tool to generate more housing across a wider range of renters with affordable housing needs. Additionally, we discussed one example of how limiting this tool can create significant hurdles that can result in lost benefits, and therefore less housing for those most in need. This week we want to highlight a real-life example of how one industry leader is working to utilize Income Averaging to preserve an existing Project Based Section 8 development with an expiring HAP contract with **no additional soft funding and no resident displacement**.

#### Community Housing Development Corporation- Preserving More Housing Now!

[Community Housing Development Corporation](#) (CHDC) is a nonprofit developer and owner with more than 25 years of experience providing high quality and sustainable housing for low-income residents throughout Minnesota. CHDC has successfully provided over 3,500 affordable homes across 44 properties to families, veterans, seniors and the formerly homeless. More than half of its units have Project Based Section 8 rental assistance.

With the goal of furthering its mission to provide high quality affordable housing, CHDC hopes to utilize Income Averaging to help **preserve an expiring HAP contract on a Project Based Section 8 development**. This development consists of 112 townhome units and was originally built in 1979. According to Dan Walsh, Vice President, Housing Development at CHDC, "There are a number of critical physical needs that cost more than the property has in reserves. Our primary goal is to secure funds for adequate renovation activities to preserve and reposition this affordable property for the long term.

As a result, the development is working to receive an allocation of 4% LIHTC, which will go towards a construction budget of more than \$65,000/ unit and allow the HAP contract to be extended for an additional 20 years.

As CHDC prepares to place 4% LIHTCs on the project for the first time, it has come to their attention that approximately 10% of the families will likely have incomes that exceed the 60% of the AMI level. **However, if the development can utilize Income Averaging, it has the opportunity minimize the impact on those slightly over-income families and include all the units in eligible basis.** The ability to include the additional 10% of the units in eligible basis will generate an estimated **\$800,000 in tax credit equity** proceeds that would otherwise be lost and can now contribute to the rehabilitation and preservation of the property.

At the completion of their development, CHDC will have successfully extended the affordability on the development while making substantial capital and energy efficient improvements. Without the ability to utilize Income Averaging, this project would be more dependent on other forms of soft funding and be exposed to the risk of losing part of its affordability.

**We would like to congratulate CHDC and their entire project team for being industry leaders by working to utilize the tool of Income Averaging to preserve affordable housing!**

Please feel free to share this information with others within the industry so we can continue to help make Income Averaging as effective as possible on a national scale. If you would like to discuss Income Averaging please do not hesitate to reach out at [incomeaveraging@dominiuminc.com](mailto:incomeaveraging@dominiuminc.com).

Thank you!



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