AFFORDABLE RENTAL HOUSING A.C.T.I.O.N.
A Call To Invest in Our Neighborhoods

Housing Credit Victories in the Consolidated Appropriations Act of 2018

The Low-Income Housing Tax Credit (Housing Credit) provisions included in the Consolidated Appropriations Act of 2018 (FY 2018 omnibus spending bill) are a major victory for the ACTION Campaign, other affordable housing stakeholders, and the millions of low-income households who desperately need safe and affordable rental homes. The fiscal year (FY) 2018 omnibus spending bill includes two critical provisions that will strengthen the program by increasing Credit authority and adding income averaging as a new minimum set-aside election, as detailed below.

- **Cap Increase:** Provides a 12.5 percent increase in state Housing Credit authority for four years beginning in 2018 (2018-2021). In each of those years, the per capita volume cap and state minimum that otherwise would have been in effect is multiplied by 1.125. The cap increase is an increase in Housing Credit authority for allocated Credits (applying to the 9 percent Credit and the 4 percent Credit for acquisition; it is not an increase in 4 percent Credit equity for bond-financed developments, which are not limited by the Housing Credit volume cap). It is a flat 12.5 percent increase for each of the applicable years, *not* an additive increase in which each successive year would receive 12.5 percent more Credit authority than the previous year. The cap increase in the FY 2018 omnibus spending bill takes a major step towards achieving the 50 percent phased in cap increase included in S. 548, the Affordable Housing Credit Improvement Act.

- **Income Averaging:** Permanently establishes a third minimum set-aside election option for new Housing Credit developments, which developers could choose in lieu of the two previously existing minimum set-aside elections (at least 40 percent of the units in a development limited to households earning no more than 60 percent of Area Median Income (AMI) or at least 20 percent of the units in a development limited to households earning no more than 50 percent of AMI). Instead, income averaging would allow Credit-qualified units to serve households earning as much as 80 percent or less of AMI, so long as the average income limit in the property is 60 percent or less of AMI. Developers electing income averaging would need to commit to having at least 40 percent of the units in the property affordable to eligible households. The 80 percent of AMI standard is consistent with long-standing federal affordable housing policies, which define low-income as households earning no more than 80 percent of AMI.

  Under the income averaging option, the higher rents that households with incomes in the 61-80 percent of AMI range could pay would have the potential to offset the lower rents for extremely low- and very low-income households living in the property in units designated at lower income levels, thereby allowing developments to maintain financial feasibility while providing a deeper level of affordability than is currently possible without other subsidies. Income averaging thus preserves rigorous targeting to low-income households, while providing more flexibility to the program and greater income-mixing potential. Income averaging applies to the designated income levels of the units in a development, not the income of the individual tenant households in a development. Income averaging is a provision in both the Senate (S.548) and House (H.R. 1661) versions of the Affordable Housing Credit Improvement Act.

For more information about efforts to strengthen and expand the Housing Credit, including resources and advocacy materials in support of the Affordable Housing Credit Improvement Act, visit the ACTION Campaign website at www.rentalhousingaction.org.