

Montana Board of Housing Income Averaging

The designated levels may be only 20%, 30%, 40%, 50%, 60%, 70%, and/or 80% of AMI.

Income averaging applies to the designated income/rent levels of the units, not the incomes of individual tenant households.

Minimum set aside for income averaging will be considered to be 40% of units designated, rent restricted and income qualified to meet the 60% average.

The minimum set-aside election is irrevocable once made on Form 8609. Therefore, existing developments already placed in service are not eligible to change their minimum set-aside/income election to income averaging.

Resyndication properties are not eligible

Basic noncompliance will work the same as it does with the other minimum set-asides

Income Averaging (IA) is only permitted if all residential units are designated as HC units. At least 50% of all units must be affordable to and occupied by households earning 60% AMI or less.

The average required for MBOH will at or below 58%. If a property/owner proposes to go above 58% a written request with detailed documentation must be submitted showing the increase in the average will not put the cash flow at more than reasonable financial feasibility

Properties with a reservation of credits must meet the average income targeting from the funding application or the 58% whichever is less. If a property/owner proposes to go above 58% a written request with detailed documentation must be submitted showing the increase in the average will not put the cash flow at more than reasonable financial feasibility.

Six months before leasing up or moving tenants around the property in a rehab they must request it; MBOH will try and have it back in 3 months. Management must be complete a training designed for income averaging, not a training where they happen to go over it. And the management must be on board before the request is made.

To choose IA an (owner/applicant/developer) must submit:

A statement from other funding sources that the income averaging set aside will be compatible with the requirements their programs including FHLB, HOME, etc

A statement from permanent lenders and the equity provider/investor acknowledging the selection of the income averaging set-aside similar to a letter of interest in an application.

A market study or revised market that shows adequate demand for all possible combinations of unit sizes and percent limits selected.

Designate units at a specific AMI by unit type (e.g., 10 one-bedroom units at 50%) at the time of application or request to change elections.

A diagram or spreadsheet showing the AMI percentage(s) for each designated unit.

Updated Uni-app sources and uses and section c financial tabs

A lease up plan

Re-underwriting fee \$2,000

Management must be trained on IA and submit documentation of attendance and agenda for training. Management must agree in writing to deal with IA.

Statement committing to annual income averaging training for on-site property managers, and management company personnel dealing with the IA property.

Annual Compliance fees will be \$20 higher per unit for IA properties

Annual Recertifications will be required

MBOH will audit 100% of IA files at least annually

Owners of developments with more than one building will indicate on the Forms 8609 to treat all of them as part of a multiple building project (checking "Yes" on line 8b of the current form)

Income unit designations must be equitably distributed among bedroom sizes (other than a single unit per AMI limit if necessary due to odd numbers)

Rents on the 20% units and 30% units will be capped at the maximum rent including the subsidy. Units with project-based subsidy will not be capped. Rents on 40%, 50%, 60%, 70% and 80% will not be capped including the subsidy.

MBOH will consider the units floating

Lease ups will need to be done to keep 58% average or less.

This is an evolving set a side. These rules will change as MBOH and owners work through this process.

All the above rules are subject to change, to adapt to IRS direction or changes and/or MBOH direction.

A word of caution

The 30% AMI level under the Housing Credit is not the same as the Extremely Low-Income (ELI) restriction under the National Housing Trust Fund. Owners of properties with both sources should be mindful of the difference.

4% Tax Exempt Bonds/4% Credit Applications

The Act did not change IRC Section 142, which includes multifamily Housing Bonds. However, these properties may satisfy both income averaging and one of the elections applicable to tax-exempt financing (20 at 50 or 40 at 60).

If a lower targeted unit is Offline for UPCS average could go above the required average %

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