

**Addendum to Management Plan**  
**Average Income Test Commitments**

Property Name: \_\_\_\_\_

Property ID Number: \_\_\_\_\_

The undersigned intends to elect the average income test described in 26 U.S.C §42(g)(1)(C) at issuance of 8609 for the property named above.

The undersigned agrees to maintain the distribution of affordable units as follows:

	Income Limit (% AMI)	Unit Type (# of bedrooms)	Unit Count (# of units)
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____

*[The owner may designate as many as four income limits for the property. The owner must designate how many units for each income target, by bedroom size.]*

The undersigned agrees to provide annual reports on the distribution of affordable units at the property for the duration of the Extended Use Agreement between the property owner and the Illinois Housing Development Authority.

The undersigned agrees to provide to provide annual training to on-site property management staff about property commitments and regulatory requirements to the Average Income Test.

The undersigned further agrees to adhere to the Illinois Housing Development Authority's Average Income Test criteria, as attached in Exhibit A and specifically incorporated herein, and as may be modified from time to time. Except that the undersigned is not required to re-submit the following documents specified in Exhibit A for purposes of the application process: market study, investor acknowledgement, property manager acknowledgement.

The undersigned will unconditionally comply with all policies, rules, regulations and guidelines, existing and as may be amended or published, of the Illinois Housing Development Authority as they relate to the average income test.

The undersigned acknowledges the Internal Revenue Service may issue rules, requirements, interpretations, decisions, or other guidance that, as a matter of law, modify or invalidate the requirements contained in Exhibit A, and the undersigned agrees to adhere to policies and procedures

that IHDA may adopt as the result of any rules, requirements, interpretations, decisions or other guidance from the Internal Revenue Service.

The undersigned agrees that the Illinois Housing Development Authority (including its agents) will at all times be indemnified and held harmless against losses, costs, damages, expenses and liabilities of any nature or kind (including, but not limited to attorney's fees, litigation, and court costs, amounts paid in settlement, and amounts paid to discharge judgment, and any loss from judgement from the Internal Revenue Service) directly or indirectly resulting from, arising out of, or related to the requirements contained in Exhibit A and any other statements regarding the average income test.

IN WITNESS WHEREOF, the undersigned has caused this document to be duly executed in its name on

\_\_\_\_\_ this day of \_\_\_\_\_, \_\_\_\_\_.

BY: \_\_\_\_\_

Legal Name of Ownership Entity

\_\_\_\_\_  
Authorized Signatory – General or Managing Partner

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

BY: \_\_\_\_\_

Legal Name of Management Entity

\_\_\_\_\_  
Authorized Signatory – Property Manager

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

## Exhibit A

### IHDA Criteria for Applications Electing to Use the Average Income Test

Effective March 23, 2018, Congress permits a new, Average Income Test for Owners electing their minimum set-aside requirement for projects under Section 42(g)(1) of the federal tax code. [Line 10(c) on IRS Form 8609]

Under the Average Income Test, at least 40% of units are rent restricted, with an average income restriction of 60% AMI, and with maximum income restriction no higher than 80% AMI.

Sponsors intending to elect the Average Income Test for their minimum set-aside must declare this intention, as well as the distribution of income restrictions by unit type, at the Preliminary Project Assessment stage of the application process.

In the 2020 - 2021 LIHTC Rounds, the Authority will consider funding applications proposing to implement income averaging under the following conditions:

- **Eligible Uses:** Use of Average Income Test will be approved at the Authority's sole discretion. Some instances in which the Authority will consider approving the use of Average Income Test for 4% and 9% credit projects includes but are not limited to cases where the use of Average Income will prevent displacement of existing tenants, result in lower subordinate resource request, or benefit the property.
- **Applicable Fraction:** All units must be Low Income restricted. The development may not contain unrestricted or market rate residential units.
- **Average Income:** The average income target of Low Income units must not exceed 60% AMI.
- **Multi-Building Projects:** Owners must declare their intended declaration on line 8b of IRS Form 8609 at application. The Authority prefers that Owners declare each building to be part of a multi-building Project, but will consider applications where Owners propose to treat buildings as separate Projects at its sole discretion.
- **Unit Income Targets:** Owners will state the number of units by percent income category and by unit bedroom size at the time of application. Applicants must demonstrate that income restrictions are applied evenly across units by unit size and other features. For example, larger units cannot be skewed toward higher income targets to maximize rental income. The Extended Use Agreement will reflect that the Average Income Test is being applied, but will not record specific designations. The number of units by income category and unit type will be specified in the Project's Management Plan. **The Authority will limit the number of income designations to four (4).**

**Sponsors considering making use of income averaging should consider the following compliance implications:**

- **Vacant Units:** will be treated as affordable at the original income target, unless it is occupied by a household at a higher income.

- **Applicable Fraction:** During the compliance period, owners must maintain the 60% average income among compliant units for which tax credits are being claimed. If one or more units is discovered to be out of compliance, the noncompliance may require subtracting additional units from Tax Credit basis in order to restore the 60% average, until compliance can be restored.
- **Owner / Agents** will be required to report on current income restrictions on an annual basis.
- To compensate for additional monitoring required by additional unit designations, projects that elect the Average Income Test may also be charged higher compliance fees.

**Sponsors submitting applications that use income averaging must provide the following supplemental material:**

- **Market Study:** Must demonstrate sufficient market demand for each income bracket proposed.
- **Investor Acknowledgement:** Written acknowledgement from the LIHTC equity investor, lender and legal counsel that the Average Income Test is compatible with requirements of other public and private funding sources.
- **Property Management Preparedness:** Written acknowledgement from the property manager regarding the compliance implications and commitment to provide annual Average Income Test training to on-site property management.