

# MODEL FORM

## INTRODUCTION TO LIHTC HOUSING FOR PROSPECTIVE RENTERS

Welcome to LIHTC (Low-Income Housing Tax Credit) housing! Whether you are new to affordable housing or exploring your options, understanding how the LIHTC program works is crucial to navigating the application and qualification process. LIHTC housing provides an opportunity for households to access safe, affordable homes while offering certain unique rules and requirements that set it apart from conventional housing.

To help you get started, we've created this FAQ to explain the basics of LIHTC housing. Once you have a general understanding, you'll be better prepared to proceed with your application and determine whether LIHTC housing is right for you.

### How is LIHTC housing different from Section 8 and public housing?

The Low-Income Housing Tax Credit is a federal program that finances the construction and rehabilitation of rent-controlled housing for lower-income households. Most LIHTC properties are developed and managed by for-profit private companies or nonprofit entities, rather than being owned by the government or classified as public housing.

Another federal program, the Section 8 program, uses rent subsidies based on a tenant's income to make housing more affordable. Some LIHTC properties have Section 8 contracts that help tenants pay their rent, but most do not.

Public housing, on the other hand, is owned and operated directly by governmental entities. While distinct, the three programs—LIHTC, Section 8, and public housing—do interact to some degree. For example, Section 8 vouchers can be applied both to tax-credit properties and to market-rate housing.

### Who qualifies to live in LIHTC housing?

LIHTC homes are available for rent to the general public. However:

- All LIHTC properties have maximum income limits.
- LIHTC properties may establish reasonable eligibility criteria that are included in a written tenant selection plan. You can ask the property manager for a copy of this plan.
- The property manager may have other requirements, such as minimum income, minimum credit scores, and background checks. This information will be in a tenant selection plan for the site.
- The property manager may set a maximum household size depending on the number of bedrooms. This should also be in the tenant selection plan.
- LIHTC buildings are allowed to give priority to certain groups of people, such as veterans, youth aging out of the foster care system, or current residents of the city or town where the property is located. People with disabilities get priority for accessible units.
- Some LIHTC properties are only for seniors. There are two different types of senior properties. In one, everyone in the household has to be 62 or older. In the other, one person in the household must be 55 or older. Check with the property manager of the apartments you are interested in.
- If you are a student, read the answer to the question "Can I Qualify if I am a Full-Time Student?" below.

### Do I qualify?

Your income must be less than the maximum income limit, but the limit varies depending on which unit you apply for and where it is located. LIHTC developments are set up to house people in a variety of income levels.

LIHTC defines "low-income" using a measure called Area Median Income, often abbreviated "AMI." "Median" means "middle;" half the incomes in an "area" are above the AMI and half are below. "Area" generally refers to a city, county, or multi-county location.

The AMI varies depending on what county you are in and how many people are in your household. A county's AMI changes every year. The manager can give you a list of the AMI breakdown for the apartments in a LIHTC site.

### **How much will I pay in rent?**

The LIHTC program sets rents based on affordability for different AMI levels rather than adjusting to each tenant's individual income. Unlike programs such as Housing Choice Vouchers, LIHTC rents do not automatically change when your income rises or falls. This means that your rent could increase slightly each year even if your income remains unchanged. Additionally, larger units typically cost more than smaller ones.

LIHTC sites set rents for low-income units by taking 30 percent of the appropriate income limit. That income limit depends on the percentage of AMI the owner agreed on with the state housing agency, the particular household size, and the location of the site.

Although the program aims to make rents affordable, many households end up paying more than 30 percent of their income toward rent and utilities. This occurs because maximum rents (the most you could potentially pay for a LIHTC unit) are set assuming the tenant makes the maximum income for an apartment. Remember that instead of being tailored to individual incomes, rents are based on the unit's size (number of bedrooms) and type (AMI income limit). If you earn less than the maximum amount you might still qualify for the unit but will pay more than 30 percent of your income for rent and utilities. And if you are a LIHTC tenant with Section 8 assistance, your rent share will follow Section 8 rules instead of LIHTC guidelines.

### **What about utilities?**

Sometimes tenants pay for utilities separately; other times the cost of utilities is included in the rent. In either case, the LIHTC program considers utilities to be part of the total housing cost.

So, if the apartment you are renting does not include all utilities, the owner must subtract an estimated utility cost from the maximum rent. This is called the "utility allowance." Utility allowances vary from property to property, depending on what utilities the tenants must pay themselves, as well as how energy efficient the building is. Telephone, cable, and internet are not included in the utility allowance. The tenant pays these bills in addition to paying rent.

The utility allowance is just an estimate. The owner does not need to give the tenant a refund or rent reduction if actual utility costs are higher, so tenants need to be aware of their utility usage.

### **Can I qualify if I am a full-time student?**

The LIHTC program was designed for low-income households and not as student housing. For that reason, there are many rules for full-time students seeking LIHTC housing. You can be a student and live in a LIHTC apartment as a member of a household, as long as at least one person in the household is not a full-time student. There are some exceptions to this rule:

- The full-time adult students are married and filing a joint federal income tax return.
- The full-time student is receiving assistance under Temporary Assistance for Needy Families (TANF).
- The full-time student is enrolled in certain job-training programs.
- The full-time student is a single parent living with their minor children.
- The full-time student is/was a recipient of foster care assistance.

### **I have a criminal history/poor credit. Can I still rent a LIHTC unit?**

It depends. LIHTC managers can review your rental history and criminal background, and they may reject you if you do not meet their standards.

However, a site that turns away everyone with any criminal background might be violating fair housing laws, particularly if that ends up excluding mostly African Americans or other "protected classes" under the Fair Housing Act. In general,

having a conviction for misdemeanors or minor criminal offenses, such as drug possession or shoplifting, or for any crime that occurred in the distant past, should not be a basis for excluding someone.

Also, an arrest that did not result in conviction should not be a reason for denying an application. If you have a recent conviction for drug manufacture or for a violent crime like armed robbery or rape, owners may reject your application. And if a LIHTC site has public housing funding, it is required to reject lifetime sex offenders and people convicted for manufacturing methamphetamine in subsidized housing. LIHTC owners will decide each situation individually and give each applicant the opportunity to explain why they can be a good tenant, despite a criminal record.

In addition, while perfect credit is not required, LIHTC sites may decline applicants with poor credit histories. They are typically most concerned with issues such as prior evictions or utility shutoffs. If you have a previous eviction, the manager may request evidence that all outstanding rent has been paid in full. Similarly, if there have been utility shutoffs, they may ask for a statement from the utility company confirming your eligibility for a new account. If you are concerned about being denied due to poor credit or a past eviction, it's a good idea to provide additional supporting information with your application. For example, you could demonstrate that your previous housing was unaffordable but that you are now financially capable of paying the LIHTC rent.

### **What if I am a survivor of domestic violence or sexual assault?**

You may not be denied admission to a LIHTC property just because you were the victim of domestic violence, sexual assault, dating violence, or stalking, or your credit was damaged by one of those situations. If you are a survivor, you may have protections under the Violence Against Women Act (VAWA). VAWA protects all survivors, regardless of your sex, gender identity, or sexual orientation AND regardless of the sex, gender identity, or sexual orientation of the person who harmed you.