INCOME AVERAGING
A tool to provide housing affordability for very low income Arlingtonians

What is income averaging?
Income averaging allows the Federal Low Income Housing Tax Credit (LIHTC) investment to be applied to units whose rents range from 30-80% of Area Median Income (AMI), rather than up to 60% AMI. Renters for all levels pay rent equal to 30% of their qualifying income.

How does income averaging work?
Income averaging allows the higher rents from 70-80% AMI units to offset the lower rents from 30-50% AMI units. When blended together across the property, these rents need to average out to the amount of rent that 60% AMI units would have generated. This allows the deeper income targeting to be achieved without additional subsidy. The average income served by the property would still be at or below 60% AMI.

What does this mean for Arlington?
In the short-term, income averaging can be one tool to meet the full spectrum of incomes served by the Barcroft Apartments. More broadly, it can be used to encourage greater income diversity countywide. There is precedent for its use in Arlington - income averaging was used along with other financing and subsidy tools by APAH at Terwilliger Place to achieve 26 units for 30% AMI households.

Income Averaging supports the local economy by ensuring lower-paid essential workers can continue to live in Arlington affordably.

- Many essential workers in Arlington (e.g. childcare, food prep, cleaning, health care aides) earn less than 30% of our Area Median Income (AMI), which is $42,690 for a family of four.

- Since 1981, the federal government has defined a household as cost burdened if it spends more than 30% of its income on housing.

- Committed affordable apartments (CAFs), where rent is tied to 60% AMI, are unaffordable to those making less than 60% AMI.

- As of 2020, more than 10,000 households lived in Arlington on 30% AMI or less, 8,000 of whom are renters; only 1,585 apartments were affordable to them.

- In addition, multiple-person households earning 40-80% AMI struggle to make ends meet, especially if one or more preschool-aged child is in the household.

Income averaging advances Arlington's diversity and stability, and can enhance quality of life for all.

- For decades, Arlington's success has been linked to its multi-cultural community made up of recent arrivals (both international and domestic) and long-time residents.

- Households that are secure in their housing have time to add their diverse voices and perspectives to community conversations and decision-making.

- [Students who are stably housed do better in school](#).

- Deeply affordable housing options are needed to ensure older adults, persons with disabilities, people experiencing housing insecurity have stable homes in the community.

- Providing a range of committed affordability in a development or corridor means that low-income households do not need to leave Arlington if their life circumstances change.

Income Averaging creates 30% AMI homes without any additional investment.

- Arlington's County Board has for decades invested in creating Committed Affordable housing (CAFs) almost exclusively targeted at 60% AMI.

- Income averaging supports mixed-income communities that serve a wider range of household needs, while still maintaining an average of 60% AMI at the property.

- Buying down affordability to 30% AMI eliminates any need for Housing Grant support for that unit for up to 30 years. Currently housing grants for 30% AMI households are approximately $10,000 annually.

- If households earning 30% AMI or below could be served by an income-averaged unit, scarce rental assistance (such as Housing Grants) could be freed up for those with marginally higher incomes or who are not living in committed-affordable units.