



**Rocky Mountain AHMA
43rd Annual Conference**

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Basics of Mixed Subsidy Management (Blended Occupancy)

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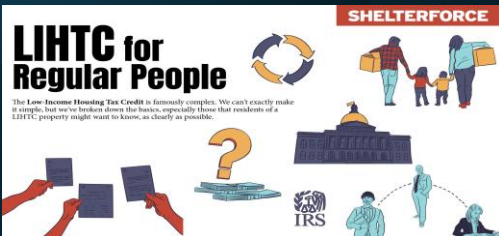
Learning Objectives

By the end of this session, you will be able to:

- Identify common blended program combinations.
- Compare HUD and LIHTC eligibility and rent rules.
- Apply HOTMA changes in blended program settings.
- Resolve conflicts by applying the stricter rule.



LIHTC Overview



What is Blended Occupancy?

- A **single property** financed or subsidized by more than one housing program.
- Common layers: HUD subsidies, LIHTC, HOME, RAD, state/local funds.
- Each program has **separate eligibility, rent, and compliance rules**.
- Managers must apply all applicable rules to each household.
- **Risk:** Households must meet every program's requirements → if one program says "no," the household is not eligible.



Common Blends

- LIHTC + HUD Project-Based Section 8
- LIHTC + HOME
- LIHTC + RAD conversions
- LIHTC + other local/state subsidy



HOME Program Basics

- Federal block grant program → administered locally by states/cities.
- Used as **gap financing** in LIHTC projects.
- Compliance requirements:
- Income limits (set at 60% or lower).
- HOME rent limits (High HOME or Low HOME).
- **Blended site rules:** Must track both HOME and LIHTC → apply stricter.
- Files may need **dual documentation** (HOME vs. LIHTC).



RAD Conversions and Blended Compliance

- **RAD = Rental Assistance Demonstration** (HUD initiative).
- Converts public housing to long-term Section 8 contracts.
- Properties often recapitalized with LIHTC equity.
- Many PHAs shift RAD properties to **3rd-party management**.
- Compliance implications:
- HUD PBRA rules (50059, EIV, TTP).
- LIHTC rules (TIC, income limits, student rule).
- Blended outcome = must satisfy **both HUD & LIHTC requirements**.

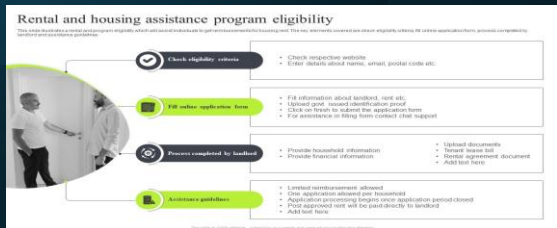


Why Blended = Compliance Risk

- Different **eligibility rules**: deductions vs. pass/fail income tests.
- Different **rent rules**: HUD = income-based; LIHTC = rent limits.
- Different **file documentation**: HUD 50059 vs. LIHTC TIC.
- Different **oversight agencies**: HUD/CA vs. State HFA/IRS.
- **Result**: Higher chance of findings, noncompliance, or credit loss.
- **Solution**: Always apply the stricter rule and document clearly.



Eligibility Across Program



HUD Eligibility Basics

- At least one household member must:
 - Be a U.S. citizen or eligible immigrant (documentation required).
 - Provide a valid Social Security Number (or certify exemption).
- Household income must be ≤ HUD income limits (typically 50% or 80% AMI).
- Federal or local preferences may apply (elderly, displaced, homeless, etc.).
- Must comply with **Tenant Selection Plan** and **Fair Housing requirements**.



LIHTC Eligibility Basics

- Household income must be ≤ LIHTC limits (usually 50% or 60% AMI).
- Income averaging allowed in some states (average ≤ 60% AMI).
- **Student Rule:**
 - Households of all full-time students are generally ineligible.
 - Exceptions: married, single parent w/ dependent, TANF, Title IV, job training.
- Pass/fail system: even \$1 over the limit = ineligible.



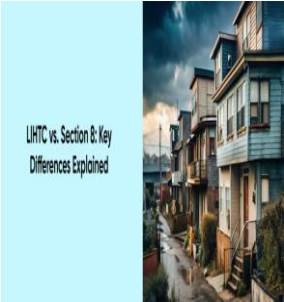
Where Rules Align

- Both HUD & LIHTC require:
 - Verification of household income & assets.
 - Use of reliable documentation (third-party preferred).
 - Annual recertifications (unless waived by state/HFA).
- Household composition and unit size must be verified.
- **Compliance goal:** Accurate and well-documented tenant files.



Where Rules Diverge

- **HUD:** Adjusted income → deductions for dependents, elderly/disabled HH, medical & childcare.
- **LIHTC:** No deductions → eligibility based strictly on gross annual income.
- **HUD:** Citizenship & SSN requirements apply.
- **LIHTC:** No citizenship requirement, but student rule stricter than HUD.
- **Result:** A household may pass HUD but fail LIHTC (or vice versa).



Mini Scenario

- **Household C**
- 2-person household, annual income = \$32,000.
- HUD 50% AMI (2-person) = \$31,500.
- LIHTC 50% AMI (2-person) = \$31,500.
- HUD outcome: Eligible (after deductions, adjusted income < \$31,500).
- LIHTC outcome: Not eligible (no deductions, income > \$31,500).
- **Question:** At a blended HUD + LIHTC site, is this household eligible?

What is the best technique?

- Choice A
- Choice B
- Choice C

Traditional Assessment

Mini-Scenario

Income & Rent Rules

SAHMA
SOUTH ATLANTA HOUSING AND COMMUNITY DEVELOPMENT
TO REGISTER
[Details about registration and contact information]

BLENDING OCCUPANCY SPECIALIST

SEPTEMBER 17-19, 2019

ADVANCED TRAINING FOR SERVICES WITH HOUSING PROGRAMS
[Details about the training program]

LOCATION: ATLANTA, GA
[Details about the location and dates]

AGENDA
[Detailed agenda for the training]

HUD Rent Calculations

- **Tenant Rent = Total Tenant Payment (TTP)**
- Based on household's **actual income**.
- TTP = greater of:
 - 30% of adjusted monthly income, OR
 - 10% of gross monthly income, OR
- Minimum rent (if applicable).
- Rent may change as household income changes.

A HUD Income and Rent Calculation Worksheet form. It includes sections for 'APPLICANT INFORMATION', 'INCOME', 'RENT', and 'TOTAL TENANT PAYMENT'. The form is designed to help tenants calculate their rent based on their income and the HUD guidelines.

LIHTC Rent Calculations

- Rent = **Gross Rent Limit** (from HUD income limit tables).
- Based on **imputed household size** (1.5 persons per bedroom).
- Rent not tied to actual tenant income.
- Rent must be ≤ published limit – utility allowance.
- Rent stays constant unless limits/utility allowances change.



Utility Allowances

- **HUD:** Must use PHA or HUD-approved UA schedule.
- **LIHTC:** May use HUD/State-approved, HFA-approved, or utility company data.
- In blended sites:
 - Both HUD and LIHTC require UA deductions.
 - May be different → must reconcile and apply stricter.
- **Documentation must show which schedule was used.**



Side-by-Side Rent Example

- Household annual income = \$24,000 → Adjusted = \$21,000.
- HUD Rent (TTP):** 30% of adj. income = \$525.
- LIHTC 2-BR 60% Limit:** \$1,200 – UA \$150 = \$1,050.
- Blended Rule:** Tenant pays \$525 (stricter rule applies).



Rule of Thumb

- HUD rents:** Based on household's actual income (TTP).
- LIHTC rents:** Based on AMI limits – utility allowance.
- Blended properties:**
 - Household must meet **all eligibility rules** (HUD + LIHTC).
 - Rent charged must comply with **both HUD & LIHTC limits**.
- If rules conflict → **apply the stricter requirement**.
- Documentation must show compliance for **each program**.



Vouchers, HUD Rent, and LIHTC Limits

- Tenant rent under HUD subsidy = **Total Tenant Payment (TTP)** (income-based).
- Subsidy (HAP or voucher) pays remainder up to contract rent.
- Combined rent (tenant + subsidy) may **exceed LIHTC max gross rent**.
- IRS Guidance:** Not a violation if **tenant portion ≤ LIHTC limit**.
 - Documentation must clearly show:
 - LIHTC max rent calculation
 - Tenant portion within LIHTC limit
 - Subsidy amount applied



HOTMA & Blended Properties

Mention **HOTMA** to your staff.
How do they react?

"They've had many HOURS of training, but HOTMA is so big and it is still overwhelming!"
A Director of Property Management



HOTMA Overview (Blended Impact)

- **HOTMA** = Housing Opportunity Through Modernization Act
- Major updates: Sections 102 & 104
- Changes HUD rules for:
 - Income calculations
 - Asset thresholds
 - Medical & elderly/disabled deductions
 - Interim recerts
- **Mandatory compliance date:** January 1, 2026 (HUD Multifamily)
- LIHTC not directly changed by HOTMA → but matters at blended sites.

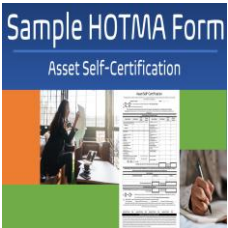


HOTMA vs. LIHTC Rules

HUD (HOTMA 2026)	LIHTC (IRS Section 42)
Asset threshold: > \$51,500 (2025, adj. annually)	Asset threshold: > \$5,000
Elderly/disabled deduction: \$525	No elderly/disabled deduction
Medical deduction: >10% of income	No medical deduction
Interim recert: Mandatory if income ↑10%+	Not required (annual only, unless state policy)
Student rule clarified to align w/ LIHTC	Student rule strict w/ limited exceptions

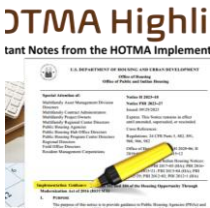
HOTMA & LIHTC: Asset Rules

- **Pre-HOTMA:** Imputed income applied if assets > \$5,000.
- **HOTMA (Jan 1, 2026):** Threshold increases to \$50,000 (inflation-adjusted + \$51,500 in 2025).
- **LIHTC:** Follows HUD 4350.3, Chapter 5 → will adopt same HOTMA changes.
- **HFA Role:** Some agencies adopting early; others wait until 2026.
- **Best Practice:** Confirm with your HFA and always apply the stricter rule if blended.



HOTMA Impact on Blended Properties

- **Pure LIHTC properties:** HOTMA does not apply → IRS/state rules govern.
- **Blended HUD + LIHTC properties:** HOTMA changes must be applied.
- File compliance must show:
- HUD's HOTMA-calculated income, deductions, and TTP.
- LIHTC's gross income eligibility and rent limits.
- If programs conflict → **apply the stricter rule.**
- Tenant Selection Plans and policies must be updated by Jan 1, 2026.



File Compliance and Monitoring



File Documentation in Blended Sites

- HUD requires: **50059, EIV reports, income/asset verification.**
- LIHTC requires: **Tenant Income Certification (TIC), verification, calc worksheets.**
- Blended files must include **both HUD and LIHTC documentation.**
- Files must be consistent: household info, income, assets, rent.
- **Tip:** Use dual checklists to ensure both programs' requirements are met.



Oversight Agencies

- **HUD/Contract Administrator (CA):**
- Management & Occupancy Reviews (MORs).
- Focus: Eligibility, rent calcs, EIV, file completeness.
- **State Housing Finance Agency (HFA):**
- File audits & physical inspections.
- Report noncompliance on IRS Form 8823.
- **Result:** One file → reviewed by multiple agencies → must satisfy both.



Common Findings in Blended Files

- TIC and 50059 do not match (income, assets, rent).
- Missing or incomplete EIV reports (HUD).
- Student rule violations (LIHTC).
- Over-income households admitted (HUD/LIHTC conflict).
- Rent charged exceeds HUD TTP or LIHTC gross rent limit.
- Verification documents outdated (>120 days).

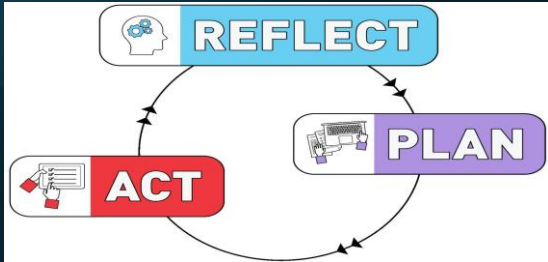


Best Practices for Blended Compliance

- Use **dual checklists** (HUD + LIHTC).
- Standardize verification process across programs.
- Reconcile 50059 & TIC immediately after completion.
- Document subsidy clearly (voucher/HAP vs. LIHTC rent calc).
- Conduct **internal audits** before MOR or HFA monitoring.
- Train staff on differences → HUD vs. LIHTC rules.



Basics of Blended Occupancy – Case Study & Wrap-



Case Study: HUD vs. LIHTC vs. Blended

Household E

- 2-person elderly household
- Annual income = \$20,000 (SS + part-time work)
- Assets = \$60,000 (savings & CDs)
- Medical expenses = \$3,000

HUD (HOTMA 2026):

- Assets > \$51,500 → imputed income applies.
- Elderly deduction = \$525.
- Medical deduction: >10% of income (threshold = \$2,000) → \$1,000 deduction.
- Outcome: Eligible, rent based on TTP.

LIHTC:

- Assets > \$5,000 → imputed income applies.
- No deductions allowed.
- Household exceeds LIHTC income limit.
- Outcome: Not eligible.

Blended Site:

- Must apply stricter rule → **Not eligible**.



Key Takeaways:

- Blended = one property with multiple funding programs.
- Eligibility: Household must meet all program rules.
- Rent: Apply stricter rule (HUD TTP vs. LIHTC rent limits).
- HOTMA (2026): Aligns some rules (assets) but not all (deductions, recerts).
- Files: Must contain HUD and LIHTC documentation that matches.
- Best Practice: Apply stricter rule + document thoroughly.



Resources & Q&A

- 01

HUD Handbook
4350.3 REV-1
(incl. HOTMA
updates)
- 02

IRS Section 42
+ 8823 Guide
- 03

State Housing
Finance Agency
Compliance
Manuals
- 04

HUD HOTMA
Final Rule
(2023)
