



## **Don't Miss Income Targeting**

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### ***What Is Income Targeting?***

Income targeting is a requirement applicable only to project-based Section 8 programs. HUD regulations mandate that owners must lease not less than 40 percent of the units that become available for occupancy in a fiscal year to families that have extremely low income (defined as 30 percent of the area median income). Income targeting is covered in the HUD Handbook 4350.3 Rev-1, Chapter 4, Paragraphs 4–5 and 4–25.

### ***How Do You Derive the 40 Percent?***

The percentage is computed by taking the total move-ins and initial certifications of extremely low income households, dividing by the total move-ins and initial certifications of the same period, and then multiplying by 100. If the percentage is above 40 percent, the property is on course. If it is below 40 percent, the property must take additional steps to meet the requirements. Therefore, it is essential for properties to review their 40 percent target on a quarterly basis rather than at the end of the fiscal year.

### ***What Income Targeting Methods Should You Use?***

HUD does not prescribe or approve methods for achieving income targeting requirements; owners choose their methods. The adopted method must be clearly stated in the property's Resident Selection Plan.

While there is no prescribed method, paragraphs 4–5 of the handbook offer some guidance regarding the income targeting methods:

*Method 1 – Admit only extremely low-income families until the 40 percent target is met.*

*Method 2 – Alternate between the first extremely low-income applicant on the waiting list and the applicant at the top of the waiting list. This method results in skipping over some households with higher income.*

*Method 3 – Alternate between the first extremely low-income applicant on the waiting list and the applicant at the top of the list in groups of 10. This method admits the first four extremely low-income households from the waiting list, and then admits the next six households from the top of the waiting list, regardless of income.*



### ***What Are the Next Steps?***

The next steps include:

- Analyzing unit turnover history
- Estimating the annual vacancies
- Analyzing the waiting list by income level of the households
- If the waiting list analysis reveals that the 40 percent target is met by admitting households in order, then no action is needed
- If the 40 percent target is not met, then additional steps in the admission process and extra marketing strategy must be implemented

Owners also need to keep in mind that adequate records and documentation must be retained for audit purposes by HUD auditors and contract administrators.