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FOR IMMEDIATE RELEASE

**Revised Federal Income Calculations Jeopardize Viability of
Existing Tax Credit Housing in Nearly Two-Thirds of the United States**

Novogradac & Company LLP Releases White Paper Analyzing Impact of HUD's
Revised Median Family Income Calculations

San Francisco, Calif. — Addressing considerable apprehension in the tax credit and tax-exempt bond industry over the U.S. Department of Housing and Urban Development (HUD)'s release on March 20, 2007 of area median incomes (AMI) and related income limit data for metropolitan and nonmetropolitan areas that were significantly lower than 2006 AMI levels, Novogradac & Company LLP has prepared a White Paper that seeks to examine the actual impacts of the changes across the country. The report is titled **Effect of HUD's Revised Income Calculations on Housing Tax Credit Properties: How Long Until Qualifying Incomes & Tax Credit Rents Rise?**

“The paper addresses tax credit housing professionals’ justifiable fears that operating budgets of tax credit properties, which are developed and managed with relatively narrow financial margins, will face even greater financial pressure, says Michael J. Novogradac, coauthor of the White Paper. “If expenses grow while revenues remain flat some properties may eventually be unable to meet debt service. The results of this White Paper clearly demonstrate the need for a legislative or administrative fix; a fix that would allow tax credit properties to increase rents to keep pace with rising operating costs.”

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The report found that tax credit properties in nearly two-thirds of the United States may not see rent increases for two or more years, thereby jeopardizing their financial viability. The report also found that tax credit properties in nearly 20 percent of the United States may not see rent increases for five or more years, thereby seriously jeopardizing their financial viability.

HUD employed its “hold harmless” policy to prevent rent and income limits from decreasing, but the issue of the critical gap remains a concern for many affordable housing professionals. The critical gap is calculated as the difference between very low income (VLI) limit data, which is used as a starting point to calculate rent and income limits for properties financed with low-income housing tax credits (LIHTCs) and bonds, and AMI. In many areas, this gap could take several years to close and, therefore, rent and income levels will likely remain flat for several years. Lenders and investors are questioning current underwriting standards, developers are reconsidering the financial viability of projects in the pipeline, and state housing agencies are concerned about the sustainability of the existing LIHTC inventory.

To help clarify the effect these static rent and income levels will have on tax credit and tax-exempt bond housing, Novogradac & Company used its in-house geographic information system (GIS) and demographics system to determine in which locations a lack of AMI growth may be a real concern for LIHTC properties — and for how long. To learn more about the White Paper and to order, please go to www.novoco.com/products.

Those who purchase **Effect of HUD’s Revised Income Calculations on Housing Tax Credit Properties: How Long Until Qualifying Incomes & Tax Credit Rents Rise?** will be assigned a unique username and password that will allow them to access an online database of the information on which the analysis was based. The database will provide VLI and AMI comparisons for every MSA in the country, as well as data about the size each area’s critical gap and the time Novogradac & Company LLP estimates it will take for the area to recover and for rent and income levels to begin to grow again. Poster-sized versions of the national maps used to illustrate the White Paper, created using the firm's in-house GIS system, will also be available for download.

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