

March 14, 2007

The Honorable Artur Davis
U.S. House of Representatives
108 Cannon House Office Building
Washington, D.C. 20515

The Honorable Jim Ramstad
U.S. House of Representatives
103 Cannon House Office Building
Washington, DC 20515

Dear Representatives Davis and Ramstad:

We are writing to thank you for introducing H.R. 1491, the Affordable Housing Preservation Tax Relief Act of 2007. This legislation is very important for the future of federally assisted affordable housing in our country.

In recent years, the affordable housing community has become increasingly concerned about the “exit tax” problem that exists as a result of the financing structures under which capital was raised many years ago to build federally assisted affordable housing. Today, the owners of this housing face large tax bills if they sell the property, while at the same time they cannot boost their returns by contributing more capital to the property. There is no incentive to make any further investment in the property, causing investors to hold their investment until death, and avoid recapture taxes by leaving the property to their heirs at a stepped up basis.

This course of action results either in the age-related deterioration of the housing units, or in the conversion of such properties from affordable to market rate housing at a sufficient price to cover the exit taxes. In either case, this is placing the supply of federally assisted affordable housing at considerable risk. If present policies continue, this nation will continue to lose a valuable resource – affordable rental housing -- at the same time the housing affordability crisis continues to worsen.

As you know, in its 2002 report to Congress, the Millennial Housing Commission, led by Susan Molinari and Richard Ravitch, identified the exit tax issue as a major housing problem confronting the nation and recommended the solution included in your legislation. Our organizations are heavily involved in affordable housing and are alarmed about this problem. We are grateful for your efforts and are prepared to do all we can to assist you in the enactment of this important legislation

Affordable Housing Tax Credit Coalition
American Association of Homes and Services for the Aging
Council for Affordable and Rural Housing
Enterprise Foundation
Institute of Real Estate Management
Institute for Responsible Housing Preservation
Local Initiatives Support Corporation
National Affordable Housing Management Association
National Apartment Association
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Local Housing Finance Agencies
National Association of Realtors
National Council of State Housing Agencies
National Association of State and Local Equity Funds
National Foundation for Affordable Housing Solutions
National Housing Conference
National Housing Trust
National Leased Housing Association
National Low Income Housing Coalition
National Multi Housing Council
Stewards of Affordable Housing for the Future