

January 15, 2009

The undersigned organizations are active participants in the Low Income Housing Tax Credit program and are very concerned that the proposed House version of the economic stimulus bill provides no new funds for Low Income Housing Tax Credit properties and no new incentives to stimulate investment +and create jobs in connection with these properties.

For almost a quarter of a century, the Low Income Housing Tax Credit has served as a shining example of a highly effective **Public-Private Partnership** that creates and preserves affordable rental housing for lower income people. The most successful Federal housing production program in history, the Low Income Housing Tax Credit has resulted in the construction and preservation of over **two million residential units and the creation of millions of good jobs.**

However, the financial crisis has reduced private sector investment in this program. The Low Income Housing Tax Credit industry, which is comprised of state housing finance agencies, non-profit and for-profit developers, syndicators, investors and others, has been seeking the assistance of the Congress and the incoming administration, as part of the economic stimulus package, for **legislation that would re-invigorate, through the Low Income Housing Tax Credit, investment in critically needed affordable housing that will result in the creation of many new jobs.**

Yet, almost unbelievably, the pending economic stimulus bill that will be considered shortly by the House does not, at the present time, contain a single new dollar of additional Federal support for this program nor any new proposals that will produce additional investment in this program. While the legislation is likely to contain a provision that would allow states during 2009 to exchange Low Income Housing Tax Credits for cash, **that provision will not address the need to re-invigorate this program.** In a bill that may result in spending and tax cuts of over \$800 Billion Dollars, ignoring the needs of this proven program is **simply wrong.**

After a long history of bi-partisan support through four administrations and twelve Congresses, the **pending legislation turns a deaf ear to the growing needs of lower income families and seniors for affordable rental housing;** a need that has become even greater in light of the foreclosure crisis throughout the country. Unless this decision is reversed, there will be **a loss of the jobs** that have been created from this program. In a measure intended to create jobs, **this is unthinkable.**

This Public-Private Partnership program has performed exceptionally well and has served as a great example for the creation of other tax incentive programs such as the New Markets Credit and renewable energy credits. By inserting private sector discipline into the underwriting, structuring, monitoring and asset management of this housing, the Low Income Housing Tax Credit program produces **well conceived housing that endures for the long term. Indeed, the foreclosure rate on this housing is less than one-tenth of one percent.** By failing to adopt meaningful measures to help the program survive and flourish, the Congress is undermining this Public-Private Partnership. The result will be that **“Private” and “Partnership” will be removed** from the production of affordable rental housing, at great cost to the quality and longevity of this housing.

We urgently request that the Congress include in the economic stimulus bill measures designed to provide temporary additional Federal support for the Low Income Housing Tax Credit program and measures that will stimulate new investment in this program and the creation of new jobs for the economy. These proposals are described briefly on the next page.

**PROPOSALS OF FOR SUPPORTING AND RE-INVIGORATING
THE LOW INCOME HOUSING TAX CREDIT PROGRAM**

- 1) Congress should provide \$5 Billion in direct cash subsidy (“Gap Filler”) to be used exclusively by Housing Credit Agencies to provide gap financing necessary for financial feasibility for properties that receive Low Income Housing Tax Credit reservations or allocations (including bond financed properties); Gap Filler funds could be used by Low Income Housing Tax Credit Agencies without LIHTC equity capital if such capital is demonstrated not to be available for some projects.

Goal— By having Gap Filler funds available, states will have substantial flexibility in making projects financially feasible where the amount of LIHTC equity capital and any other available sources of financing are insufficient to pay total project costs.

- 2) On a temporary basis, taxpayers should have the election to accelerate the Low Income Housing Tax Credit by up to 200% per year for each of the first three years of the ten year credit period (i.e., 20% of the total credit would be taken in each of the first three years). The remainder would be taken on a straight-line basis for the last seven years of the credit period.

Goal— This will result in substantial new investment from non-financial institutions by making the return to the investor much more attractive, thus broadening the base of investors providing capital for LIHTC properties, while maintaining the pricing efficiency of the program.

- 3) Taxpayers should be permitted to carryback the Low Income Housing Tax Credit for up to five years and these Low Income Housing Tax Credits should be usable to offset AMT liability during that period.

Goal— This will allay concerns by potential new investors about their ability to use Low Income Housing Tax Credits in the future if their tax liability changes dramatically and will help prevent dumping of existing portfolios of Low Income Housing Tax Credits, which dumping would interfere with raising fresh capital.

(LIST IN FORMATION)

AFFORDABLE HOUSING TAX CREDIT COALITION

ENTERPRISE COMMUNITY PARTNERS, INC.

HOUSING ADVISORY GROUP

ILLINOIS HOUSING COUNCIL

LOCAL INITIATIVES SUPPORT CORPORATION

NATIONAL ASSOCIATION OF STATE AND LOCAL EQUITY FUNDS