

January 6, 2009

Hon. Charles B. Rangel, Chairman
Committee on Ways and Means
United States House of Representatives
Washington DC 20515-6015

Hon. Dave Camp, Ranking Member
Committee on Ways and Means
United States House of Representatives
Washington DC 20515-6015

RE: Legislative Priorities of Affordable Housing Industry Participants to Stimulate Investment into Low Income Housing Tax Credit (LIHTC) Properties

Dear Chairman Rangel and Ranking Member Camp:

The LIHTC program has been a tremendous success since its enactment in 1986. As a result of the LIHTC program, more than 2 million affordable rental housing units have been developed for single parents, families, senior citizens and others of modest means. This success is the result of the fundamental design of the program as a private-public partnership.

Over the course of the last year, the LIHTC industry has experienced considerable challenges brought on by the banking and mortgage crises. These challenges have culminated in the abrupt withdrawal from the market of many of the largest investors in the LIHTC program. With this major shift in demand, the price for tax credits has plummeted, leaving developers and state agencies with projects that are not financially feasible.

We understand there are dozens of ideas and legislative proposals being circulated to address these challenges. We also understand that Congress may not be able to consider and/or approve all of these ideas and proposals, but might consider a limited, more focused list of proposals supported by knowledgeable participants in the LIHTC industry. Given the historic success of the program, we are not proposing dramatic changes in the design or structure of the LIHTC program at this time given its proven efficiency and effectiveness over the past 21 years.

We do, however, believe that certain subsidies and program enhancements incorporated into the existing structure could have a substantial positive and immediate impact on the LIHTC program, while not changing the structural components that have made the program such a success.

It is in this spirit that we submit to you the following priority list of proposals that we, as active participants in the LIHTC industry, support as a means to address the challenges the program faces today.

1. Provide additional direct subsidies of \$3 - \$4 billion in FY 2010 and 2011 to be used for qualified LIHTC properties that have received a reservation of tax credits and that are in need of gap financing. This funding will be used by the state agencies to offset the shortfall of capital that many properties are experiencing due to the reduced price for LIHTCs available in today's market.
2. Permit taxpayers (both individuals and corporations) to carry back LIHTCs for up to five years, and allow such credits to be used to offset AMT liability during that period. This would help make LIHTC investments more attractive to prospective individual and corporate investors who face the uncertainty of the amount of their tax liability over the ten year period following the investment. It

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would also help incentivize existing owners of large LIHTC portfolios with no current tax liability to retain their investments and not sell them. This would help prevent secondary sales which will further saturate an already oversaturated LIHTC market.

3. Permanently expand the offset to rental real estate activities available to individuals investing in LIHTC properties from \$25,000 to \$200,000. This will increase the amount of LIHTCs that individual taxpayers can use and in turn will help create a more efficient market of individual investors in the LIHTC program. Greater participation by individual investors will ultimately lead to a more resilient market for LIHTCs overall.
4. Permit a full year of LIHTCs for those units leased in that year, without proration, provided the building achieves its minimum set aside. This would be applicable to any property placed in service in calendar year 2008 or later.
5. Fix the 30% present value LIHTC to 4%. Similar to fixing the 70% present value tax credit to 9% which was passed recently by Congress, fixing to a 4% credit would increase the amount of equity per project on projects financed with tax exempt bonds. This would go a long way towards making such projects financially viable and would help stimulate the market for these properties which largely dried up in 2008.

Thank you for your consideration of these proposals. Please contact Will Cooper, Jr. of WNC & Associates at 714-662-5565 ext 115 or Jennifer Bonar Gray of the National Multi Housing Council at 202-320-9624 if you have any questions or are seeking additional information on these proposals.

Sincerely yours,

WNC & Associates, Inc.
National Multi Housing Council
National Apartment Association
California Council for Affordable Housing
New York State Association for Affordable Housing
National Leased Housing Association
Bryan Cave LLP

Cc: Members of the Ways & Means Committee