



NATIONAL LOW INCOME
HOUSING COALITION

*Dedicated solely to ending America's
affordable housing crisis*

September 17, 2007

Internal Revenue Service
CC:PA:LPD:PR (REG-114084)
Room 5203
PO Box 7604
Ben Franklin Station
Washington DC 20044

RE: IRS REG-114084-04 Section 42 Qualified Contract Provisions

I am writing to provide comments on the above referenced proposed rule to define the "qualified contract" process under the Low Income Tax Credit rules. The National Low Income Housing Coalition works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. Our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. The National Low Income Housing Coalition does not represent any sector of the housing industry.

We support the proposed requirement that the valuation of the low income portion of the property reflect the remaining restrictions under the extended use commitment. To protect these valuable housing resources, we believe the IRS rule should balance a fair return on the investors' equity while enhancing preservation of affordability. We also support the proposed requirements to limit outstanding indebtedness in excess of the original qualified basis for the building and to discount below-market debt.

However, we are concerned about the proposal to include the full value of underlying property. Instead, we suggest that the value of the underlying property should reflect the fact that the extended use restrictions affect not only to the building, but also the related real property preventing it from being used to its highest and best use. In addition, we are concerned that increasing the adjusted investor equity by the consumer price index could result in values exceeding fair market value. We therefore suggest that you place a cap on the low income portion of the property, which must not exceed the fair market value for that portion, as determined by an independent licensed appraiser, approved by the state housing credit agency. We believe this would allow an owner to sell his or her property at a fair price to another owner who wishes to continue the low income use of that property and would prevent the loss of affordable units due

to an unrealistically high and financially infeasible sale price.

Thank you for the opportunity to comment on this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Sheila Crowley". The signature is written in black ink and is positioned to the left of a vertical line.

Sheila Crowley, MSW, Ph.D.
President and CEO