NAHMA™
NATIONAL AFFORDABLE HOUSING MANAGEMENT ASSOCIATION

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January 22, 2009

The Honorable Charles Rangel
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable David Camp
Ranking Member
House Committee on Ways and Means
1139E Longworth House Office Building
Washington, D.C. 20515

The Honorable Max Baucus
Chairman
Senate Committee on Finance
219 Senate Dirksen Building
Washington D.C. 20510

The Honorable Charles Grassley
Ranking Member
Senate Committee on Finance
219 Senate Dirksen Building
Washington D.C. 20510

Dear Chairman Rangel, Chairman Baucus, Ranking Member Camp and Ranking Member Grassley,

As you prepare to mark-up the tax-related components of the American Recovery and Reinvestment Act of 2009, the National Affordable Housing Management Association (NAHMA) would like to reiterate the urgent need to include measures in this bill that will stabilize and strengthen the market for Section 42 Low Income Housing Tax Credits (LIHTCs).

As the financial markets situation deteriorated in the second half of 2008, the marketplace for LIHTCs has also destabilized. Presently, a number of new Tax Credit apartment communities in the development pipeline are in significant jeopardy. NAHMA has offered several recommendations to stabilize and restart the LIHTC marketplace, which are attached for your review. As a direct investment that provides immediate job creation, keeping the Low Income Housing Tax Credit program viable is essential to the job growth that will bring the economy back with good long-term investments.

Our strongest recommendation for stabilizing the LIHTC program and moving deals in the pipeline is to include language in the economic stimulus legislation which provides “bridge” or “gap” equity financing for LIHTC properties. In early December, NAHMA initially proposed using existing enacted Federal Housing Administration lending programs to provide very-low interest “bridge” financing, over an extended period, to permit development to continue in markets with significant needs for more workforce and rural housing.

Since then, other ideas have been offered to provide bridge financing for LIHTC properties which, if structured correctly, could also offer the necessary support. Our most important guiding principles are to provide the gap financing *in the most efficient and expeditious manner and* to facilitate current mixed-finance preservation efforts for HUD and RHS affordable housing projects with the Section 42 program. The Ways and Means Committee included language which would allow state agencies to exchange up to 40 percent of their 2009 LIHTC allocation to provide cash grants to assist struggling affordable housing projects.

NAHMA has reviewed this LIHTC cash exchange idea, and we believe stronger language is necessary to ensure greater accountability in how such cash exchange grants are awarded and used. NAHMA could support the cash exchange if the language were amended to ensure:

- The subawards to properties are advanced as soft-debt or grants;
- The program covers LIHTC allocations in 2008, 2009 and 2010;
- An opportunity is provided for the properties to convert the subawards into the conventional LIHTC program within five years;
- Eligibility for the subawards is limited to developments:
    - Which were awarded LIHTCs under the state's qualified allocation plan; ***and***
    - Which are not attracting investors;
        - Such as LIHTC developments for rural properties and general preservation of existing affordable properties;
- Any compliance fees charged by state agencies to implement this program may be paid from the project's funds; and
- Nothing in the language gives the state agencies ownership rights in the property for which it provides a subaward.

Even with these modifications, NAHMA believes the cash exchange is only a partial solution to the equity financing crisis. We strongly urge the Senate to include a $5 billion appropriation to be used exclusively for bridge financing in properties which were awarded LIHTCs in 2008 and 2009 but are having difficulty selling their credits to build equity. We believe this proposal is essential to fill the estimated $5 billion shortfall in equity across the LIHTCs awarded nationally. Gaps are being caused not just by lack of investors but the fact that few investors means investors can demand higher yields which equally lower pricing. Therefore, even if a property owner can find investor, the price drop has caused extra gaps. These circumstances are causing a great deal of hardship in rural areas, where attracting investors has become even more difficult.

Finally, NAHMA also supports including provisions in the bill which will attract new investors, including allowing a five-year LIHTC carryback period that would also permit credits to be used to offset alternative minimum tax liability during the period and accelerating the credit for the first three years. Please see the attached papers for more detailed explanations of NAHMA's recommendations.

Sincerely,

Kris Cook

Kris Cook, CAE
Executive Director

Attachments: NAHMA's Feedback to Ways and Means and Financial Services Committee Staff on Proposals to Stabilize the LIHTC Program (Dec 12, 2008)
NAHMA LIHTC Stabilization White Paper

cc: Senate Finance Committee Members
House Ways and Means Committee Members
Senate Appropriations Committee Members
House Appropriations Committee
House Financial Services Committee Members
Senate Banking Committee Members
The Honorable Harry Reid
The Honorable Mitch McConnell
The Honorable Nancy Pelosi
The Honorable John Boehner