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February 11, 2009

The Honorable Daniel Inouye
Chairman
Senate Committee on Appropriations
The Capitol, S-131
Washington D.C. 20510

The Honorable Thad Cochran
Ranking Member
Senate Committee on Appropriations
The Capitol, S-131
Washington D.C. 20510

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

The Honorable Harry Reid
Majority Leader
U.S. Senate
528 Senate Hart Building
Washington D.C. 20510

The Honorable Henry Waxman
Chairman
House Committee on Commerce and Energy
2125 Rayburn House Office Building
Washington, D.C. 20515

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 David Obey
Chairman
House Committee on Appropriations
H-218, The Capitol
Washington, D.C. 20515

The Honorable Jerry Lewis
Ranking Member
House Committee on Appropriations
H-218, The Capitol
Washington, D.C. 20515

Dear American Recovery and Investment Act Conferees,

On behalf of the National Affordable Housing Management Association (NAHMA), I am writing to urge you to maintain and strengthen the affordable housing and Low-Income Housing Tax Credit provisions of H.R. 1, the American Recovery and Reinvestment Act. These measures are vital to the construction, preservation, and stabilization of quality affordable rental housing for low-income families.

NAHMA's mission is to promote development and preservation of quality affordable multifamily housing by advancing legislative and regulatory policy and preparing affordable housing professionals to succeed in evolving economic and political environments. NAHMA's members are property owners and managers, industry stakeholders, and providers of goods and services to the affordable housing industry.

The Low-Income Housing Tax Credit (LIHTC) program is the largest federal program that is used to construct and preserve rental housing for low-income families. As the financial markets situation

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

deteriorated in the second half of 2008, the marketplace for LIHTCs also destabilized. Presently, a number of new Tax Credit apartment communities in the development pipeline are in significant jeopardy. As a direct investment that provides immediate job creation, keeping the LIHTC program viable is essential to the job growth that will bring the economy back with good long-term investments. NAHMA supports the following provisions in the Senate and House versions of H.R. 1 to stabilize and restart the LIHTC marketplace, and urges you to retain them in the final conference bill:

- At least \$2 billion in gap financing to fill the shortfall in equity investment for LIHTC properties (Senate legislation).
 - Gaps are being caused not just by lack of investors but the fact that few investors means investors can demand higher yields which in turn lowers pricing. Therefore, even if a property owner can find an 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.
 - We believe this proposal is an essential first step toward filling the estimated \$5 billion shortfall in equity in the current national housing credit market, and will help shovel-ready new construction and preservation deals move forward.
 - We respectfully request that the conferees raise this appropriation to \$5 billion in order to cover the estimated equity shortfall.
- Temporarily allow state housing finance agencies to exchange up to 40 percent of their LIHTC allocations for cash “sub-awards” to LIHTC properties as an additional equity investment gap financing tool (House legislation); and
- LIHTC accelerator of 200 percent for the first three years (Senate legislation);
 - This proposal would broaden the existing base of investors by making the return to the investor much more attractive, while maintaining the pricing efficiency of the program.

Additionally, NAHMA urges the conferees to consider adding language that would permit taxpayers to carry-back the Housing Credit for up to five years and allow the credits to offset AMT liability during that period. This provision will allay concerns by potential new investors about their ability to use Housing Credits in the future if their tax liability changes and will also help discourage wholesale selling of existing Housing Credits.

Finally, the need for quality affordable rental housing has become more evident as a result of the economic downturn. It is of utmost importance to ensure these affordable housing units are preserved for the future. NAHMA supports the following provisions in the Senate and House versions of H.R. 1 to stabilize and preserve federally assisted affordable housing and urges you to retain them in the final conference bill:

- \$2.13 billion to fully fund the 12-month increments of project-based Section 8 contracts (Senate legislation).
 - We believe this is a crucial appropriation that will help stabilize uncertainty in the program brought on by the years of chronic underfunding which has been documented by the Congressional appropriations and authorizing committees; and
- \$2.5 billion grants or loans for energy and green retrofit investments in assisted housing, without extended use restrictions (House legislation).
 - This funding would do much to improve energy efficiency and green standards within affordable housing communities.

- o Additionally, NAHMA would like the conference bill to include a technical correction that expands eligibility to Section 236 properties.
- o Finally, we respectfully express our reservation about the Senate requirement for owners who receive the grants/loans to commit to at least an additional 15-year affordability period. We are concerned that a lengthy commitment may deter properties from participating in the program. NAHMA recommends that ways to ensure affordability for extended periods would be more appropriately considered in the context of a discussion about affordable housing preservation.

We strongly urge you to retain and strengthen the LIHTC and assisted housing provisions within the conference legislation. They are crucial to constructing, maintaining, and preserving affordable housing properties across the country, which are desperately needed during this economic downturn. These measures will create jobs and protect the federal investment in affordable housing. Please do not hesitate to contact me if you require any additional information on the issues discussed above.

Sincerely,



Kristina Cook, CAE
Executive Director

Cc: Senator Chris Dodd
Senator Richard Shelby
Senator Patty Murray
Senator Christopher Bond
Congresswoman Nancy Pelosi
Congressman Barney Frank
Congressman Spencer Bachus
Congressman John Olver
Congressman Tom Latham