

# PRESERVATION WORKING GROUP

June 6, 2012

The Honorable Pat Tiberi  
Chairman  
Ways and Means Committee  
1102 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Tiberi and Members of the Subcommittee on Select Revenue Measures:

On behalf of the Preservation Working Group (PWG), we urge you to consider the modifications made to the Low Income Housing Tax Credit ("LIHTC") program by the Housing and Economic Recovery Act of 2008 ("HERA") as a tax extender. The PWG is a national coalition of nonprofit and for profit owners, tenant advocates and state and local housing agencies dedicated to the preservation and improvement of federally assisted multifamily affordable housing.

PWG commends you on your efforts to address this important issue by introducing H.R. 3661 with Ranking Member Neal. This important piece of bipartisan legislation would provide stability to the 9% credit, ultimately ensuring that the LIHTC remain an effective tool for affordable housing production.

While the hearing held in your committee only covered tax extenders expiring in 2011 and 2012, the impending expiration of the HERA provision has already begun to impact communities. The production time associated with developing a LIHTC property that includes application, awards, finance structuring and finally, construction may take as long as two years. Because HERA requires that buildings be placed in service before December 31, 2013, the last projects to qualify for the credit floor would have needed to apply for LIHTC sometime during 2011 or early 2012. Therefore, we believe that extending or making the credit floor permanent should be included as a proposal for the purposes of tax extenders.

HERA's credit-floor modification to LIHTC was an important change that helped stabilize the LIHTC industry during some of the most volatile times for multifamily housing development. Prior to HERA, the applicable percentage for determining the amount of LIHTC under Section 42(b)(1) fluctuated based upon interest rates. This created difficulties in projecting the amount of LIHTCs a property could receive and the amount of investor equity a property could raise, often creating large gaps in financing that needed to be filled through alternative funding sources. By providing a fixed rate, HERA eliminated the uncertainty of the applicable percentage rate and helped fill funding gaps by providing more LIHTCs to properties. Extending this critical provision in HERA does not have any additional costs to the government.

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The LIHTC program is the largest production program for affordable rental housing. Since the creation of the program, the LIHTC has developed or preserved over 2 million affordable apartments serving low-income families.

More recently, the 9 percent credit has been allocated to preserve and improve HUD and RHS assisted properties that are in need of rehabilitation or at risk of being converted to market-rate. When rating competitive LIHTC development proposals, 48 state and local allocating agencies prioritize preservation of existing federally subsidized affordable rental housing. Further, the LIHTC is a critical tool for rehabilitating properties in communities, retaining affordable housing options for low-income families and serving as a catalyst for additional development and growth.

We respectfully request that you and your members consider including the credit floor as a tax extender and extend it beyond the original sunset date of December 31, 2013. Extending the credit floor will enable the LIHTC to more efficiently provide affordable housing to seniors and families while stimulating local economies.

Sincerely,

ACTION Housing, Inc.  
California Housing Partnership Corporation  
CASA of Oregon  
Coastal Enterprises, Inc.  
Coalition on Homelessness and Housing in Ohio  
The Community Builders, Inc.  
Emily Achtenberg, Housing Policy and Development Consultant  
Enterprise Community Partners  
Housing Partnership Network  
LeadingAge  
Local Initiatives Support Corporation  
National Council of State Housing Agencies  
National Church Residences  
National Housing Conference  
National Housing Law Project  
National Housing Trust  
National Low-Income Housing Coalition  
Network for Oregon Affordable Housing  
Madison Park Development Corporation  
Maine Affordable Housing Coalition  
Mercy Housing  
Preservation of Affordable Housing, Inc.  
Ohio Capital Corporation for Housing  
Stewards of Affordable Housing for the Future