



AHTCC NEWS

AUGUST 2005

Fall Meeting Schedule

Make your plans now to join AHTCC and your colleagues at the 2005 Fall Meeting in Washington, DC. A tentative schedule of events is included below. Please visit www.taxcreditcoalition.org for further information as details are finalized. Contact Victoria Spielman, 202-419-2025 or vspielman@hunton.com, or Francine Friedman, 202-955-1536 or ffriedman@hunton.com, with questions or to register for the meeting.

Tentative Schedule

Monday, September 12, 2005

6:30 p.m. – 7:30 p.m.
Special Cocktail Reception
(Information to be provided separately.)

Tuesday, September 13, 2005

9:00 a.m. – 9:30 a.m.
Registration and Continental Breakfast

9:30 a.m. – 11:30 a.m.
Morning Sessions

12:00 p.m. – 2:00 p.m.
Luncheon

2:30 p.m. – 4:30 p.m.
Hill Visits (AHTCC will help arrange meetings with Congressional staff. We'll brief you in the morning and visit staff in the afternoon.)

5:00 p.m. – 6:30 p.m.
Special Cocktail Reception
(Information to be provided separately.)

President's Tax Reform Advisory Panel Studies Options; Will Issue Report by September 30, 2005

On January 7, 2005, President Bush issued an Executive Order establishing a panel to study federal tax reform and send reform recommendations to the Treasury Department. The Panel is chaired by former Senators Connie Mack (R-FL) and John Breaux (D-LA). The other Panel members include Bill Frenzel, Elizabeth Garrett, James Poterba, Liz Ann Sonders, Edward Lazear, Timothy Muris, and Charles Rossotti. The Panel has held meetings beginning in February through the present.

Throughout February, March, and April—Stage 1—the Panel heard testimony on problems with the current Tax Code. Witnesses from diverse areas and backgrounds including academia, government service, tax payer advocates, and state and local officials testified in front of the Panel. The Panel heard from Treasury Secretary John Snow, Alan Greenspan, James Baker, Mark Everson, Nina Olson, Richard Daley, Milton Friedman, and many others. At the end of this stage of testimony the Panel issued a statement, titled "America Needs a Better Tax System" discussing the testimony they had received and what they had taken from it. In this statement the Panel discussed the needless complexity of the current system, the rapid reach of the alternative minimum tax (AMT), the unfairness of certain aspects of the current

Code, and the ways in which the current Code stunts rather than furthers economic growth. In this statement, the Panel also set forth some themes to guide the members' efforts when considering reform options. A copy of the statement can be found on the Panel's website (www.taxreformpanel.gov).

In May, the Panel began to hear testimony on ways to reform the current Code. The Panel heard from over 20 witnesses, each presenting different tax reform options. The witnesses included Michael Graetz, Dick Armey, and Steve Forbes. They discussed options ranging from the Value-Added Tax, Consumed Income Tax, Retail Sales Tax, Flat Tax, Integration of Corporate and Individual Tax Systems to many different ways to reform the existing Code. The Panel also considered different perspectives on reform, including economic, policy, and political.

Members of the public were given a chance to offer comments on the various tax reform proposals either submitted to the Panel through testimony or through the comment process. AHTCC submitted comments to the Panel discussing the need for preserving the LI-HTC in a reformed system. The comments by AHTCC and other organizations are available

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TAX REFORM UPDATE

Congress Begins Considering Tax Reform Options

At the same time the Tax Reform Panel is holding hearings and debating tax reform proposals in order to issue its report to Congress, the House and Senate have held recent hearings to begin considering tax reform options.

The House Ways and Means Committee has held one full committee hearing and one subcommittee (Select Revenue Measures) hearing to consider problems with the Code and various reform proposals set forth by members of Congress. The Committee members have made it clear that they plan to hold additional hearings after the Tax Reform Panel issues its recommendations. Earlier this year, the Taxation and IRS Oversight Subcommittee of the Senate Finance Committee also held a hearing at which the subcommittee examined the current system and whether it encourages savings and investment or if reform is needed. The Select Revenue Measures Subcommittee has set another hearing on tax reform for September 20, 2005.

For copies of the reports from the Tax Reform Panel and/or Congressional hearings, please contact Victoria Spielman at vspielman@hunton.com or Francine Friedman at ffriedman@hunton.com.

(cont't from p.1)

at <http://comments.taxreformpanel.gov> (select "Request for Comments #3, Organization, Association, or Government"). AHTCC's comments can also be viewed on AHTCC's website at www.taxcreditcoalition.org.

In July the Panel members met in Washington, DC. The meeting began with a presentation from Chairman Mack, followed by Panel staff presentations on complexity and stability, distribution tables, revenue neutrality, the AMT, and understanding tax bases. After each staff presentation the members openly discussed their thoughts and ideas. This was the first time the Panel members revealed their individual preferences regarding reform of the Code. The Panel concluded at this meeting to present proposals which would include elimination of the AMT for individuals. No other reform

decisions were made at that meeting. Chairman Mack explained that the Panel has divided into working groups to allow for more in depth discussions of the various parts of reform.

The Panel will begin meeting again in September. At these meetings the Panel is expected to start voting and reaching decisions on how best to reform the current Code. The Panel is expected to submit several reform options to the President. The Panel is required to keep its reform proposals revenue neutral. It was also directed to "share the burdens and benefits of the Federal tax structure in an appropriately progressive manner while recognizing the importance of homeownership and charity in American society."

The Panel is scheduled to release its recommendations to the President by September 30, 2005.

Advisory Panel Executive Director Jeffrey F. Kupfer confers with Panel chairman former Senator Connie Mack (R-FL) and vice chairman former Senator John Breaux (D-LA) at a recent Tax Reform Panel Meeting.





Let Your Picture Say a Thousand Words

Help AHTCC tell the story behind the Low Income Housing Tax Credit on the Hill today! Don't miss this opportunity to show off your "best and brightest" Housing Credit developments and ribbon cuttings or groundbreakings. Send pictures for use in future website features, newsletters, and Congressional materials. Pictures may be emailed directly to Victoria Spielman at vspielman@hunton.com—be sure to include the property name, type, location, number of units, and the name and title of anyone featured in the pictures.



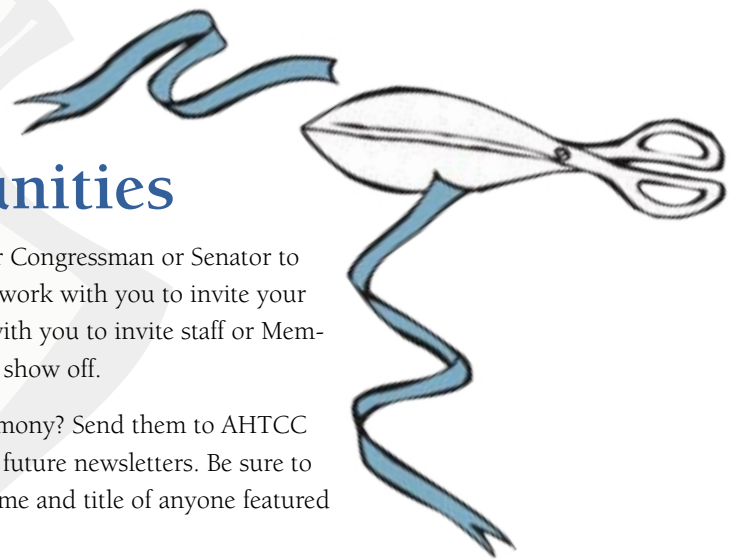
Senator Thad Cochran (R-MS) at the ribbon cutting for Grove Apartments—a 32 unit one-story complex in Pontotoc, MS, Senator Cochran's birthplace.

Groundbreaking or Ribbon Cutting Opportunities

Planning a groundbreaking or ribbon cutting ceremony? Want your Congressman or Senator to participate? Let AHTCC know about upcoming events and we will work with you to invite your Members and make the day even more special! We can also work with you to invite staff or Members to site visits if you have established developments you want to show off.

Have pictures from a recent groundbreaking or ribbon cutting ceremony? Send them to AHTCC and you might see your property highlighted in website features or future newsletters. Be sure to include property name, type, location, number of units, and the name and title of anyone featured in the pictures.

For assistance or more information contact Victoria Spielman (202-419-2025 or vspielman@hunton.com) or Francine Friedman (202-955-1536 or ffriedman@hunton.com), or visit www.taxcreditcoalition.org.





WASHINGTON WATCH

On the Hill

The Affordable Housing Tax Credit Enhancement Act of 2005

H.R. 2681 would increase the amount of available Credits under each state's per capita Credit cap to \$3.70 times the states population, double the current 2005 authority of \$1.85. The Credit ceiling would continue to be adjusted to inflation annually. Additionally, the Act would rename the Low Income Housing Credit program the Affordable Housing Credit.

Introduced on May 26, by Representatives William Jefferson (D-LA) and Phil English (R-PA), the bill has gained 60 cosponsors—3 Republicans and 57 Democrats. Coalition Members are encouraged to urge your Members to act now by signing on to cosponsor H.R. 2681. Members interested in cosponsoring should contact Todd Metcalf in Representative Jefferson's office at 202-225-6636. In addition to Congressmen Jefferson and English, current cosponsors include ten members of the House Ways and Means Committee: Xavier Becerra (D-CA), Benjamin Cardin (D-MD), Rahm Emanuel (D-IL), Mark Foley (R-FL), Nancy Johnson (R-CT), Stephanie Tubbs Jones (D-OH), John Larson (D-CT), John Lewis (D-GA), Jim McDermott (D-WA), and Charles Rangel (D-NY).

H.R. 1468 a bill to Amend the Internal Revenue Code of 1986 to Replace the Recapture Bond Provisions of the Low Income Housing Tax Credit Program.

Current law requires an investor seeking to dispose of an interest in a Housing Credit property within the 15-year compliance period to post a bond or U.S. Treasury security to the Internal Revenue Service in order to avoid future tax liability. The rule's original intent was to ensure the Service would be able to collect appropriate recapture amounts should a property fall out of compliance during the initial compliance period however, the Service has never made a claim against a "Recapture Bond." The current rule undermines the efficiency of the program making it more difficult to transfer Credit investments. H.R. 1468 would repeal the "Recapture Bond" provision found in Section 42(j)(6)

provided the property is reasonably expected to remain a qualified low-income development for the remainder of the property's compliance period.

The bill, introduced on April 5 by Representatives Nancy Johnson (R-CT), Charles Rangel (D-NY), and Kenny Hulshof (R-MO), has 7 cosponsors: Representatives Xavier Becerra (D-CA), Rahm Emanuel (D-IL), Phil English (R-PA), Mark Foley (R-FL), John Lewis (D-GA), Jim McCrery (R-LA), and Jim McDermott (D-WA). Coalition members are encouraged to contact their Representatives and ask them to call Representative Johnson's office, 202-225-4476, to cosponsor H.R. 1468.

The Community Restoration and Revitalization Act of 2005

Introduced on June 30, H.R. 3159—The Community Restoration and Revitalization Act of 2005—would further the ability of the federal Historic Rehabilitation Tax Credit (rehab credit) to spur greater investment in smaller commercial projects and main street properties in older neighborhoods. The bill would make it easier to use the rehab credit to transform vacant and abandoned buildings into safe and affordable housing, particularly by making it easier to combine the rehab credit with the Low Income Housing Tax Credit program. Section 2 of the bill introduced by Representative English would amend Section 42 of the Code to correct the current disincentive to combine the rehab credit and Housing Credit programs by increasing to 125 percent the applicable percentage used to calculate H.R. 3159. The provision has garnered the support of 27 cosponsors including 7 Ways and Means Com-

On May 13, 2005, Representative William J. Jefferson (D-LA) announced to attendees of Novogradac & Company LLP's Credit and Bond Financing for Affordable Housing Conference his intention to introduce the Affordable Housing Tax Credit Enhancement Act.



mittee members—Bob Beauprez (R-CO), William Jefferson (D-LA), Nancy Johnson (R-CT), Stephanie Tubbs Jones (D-OH), John Lewis (D-GA), Jim McCrery (R-LA), and Richard Neal (D-MA)—and the Historic Preservation Caucus Co-Chairs—Brad Miller (D-NC) and Michael Turner (R-OH).

HUD News

Center on Budget and Policy Priorities Publishes Memo on FY 2006 Housing Choice Vouchers Funding

On July 25, The Center on Budget and Policy Priorities published a memo on the FY 2006 appropriations for renewal of Housing Choice Vouchers, detailing the Center's recently completed analysis of the Voucher Management System data and providing a new, more detailed, estimate of the 2006 funding need for Housing Choice Vouchers. The Center estimates that in order to fund all vouchers in use prior to the 2005 four percent reduction in renewal funding, to restore all vouchers cut by agencies harmed by the 2005 reduction, and to provide funding for "tenant protection" vouchers issued to households that lost other forms of federal housing assistance would require \$14.19 billion.

The recently approved Transportation-Treasury-HUD bills would allocate a total of \$15.6 billion for tenant-based assistance which is over \$200 million less than the President's request. The House bill would provide \$14.19 billion and the Senate bill would provide \$14.09 billion for voucher renewals. Based on the Center's estimates, both levels of funding would be sufficient to restore vouchers lost as a result of the 2005 cuts, although both would fall short of fully restoring the losses. The Center estimates that the House bill would fail to restore approximately 15,000 vouchers while the Senate bill would fail to restore 30,000 vouchers.

GSE Bill Passes Senate Banking Committee; Senators Speak Out in Favor of Housing Credits

On July 28, the Senate Banking Committee passed by a vote of 11-9 a proposal aimed at reforming the regulatory system for government-sponsored enterprises (GSEs). The proposal, which is similar to a bill passed in 2004, would create a new, independent regulator to oversee GSEs Fannie Mae, Freddie Mac, and the 12 Home Loan Banks.

Supporters of the Housing Credit program expressed concern with the bill prior to markup based on the exclusion of Housing Bonds and Credits from the list of "permissible assets" Fannie Mae and Freddie Mac would be able to acquire or hold under Section 109(d). Working with the National Council of State Housing Agencies, the Coalition reached out to members on July 27th to solidify public support for including Housing Bonds and Credits on the list of "permissible assets."

The effort was successful as many members publicly expressed their support of the Housing Bond and Credit programs during the markup. Senator Carper (D-DE) focused on the issue in his opening statement, identifying that the current bill would not allow GSE investment in Housing Bonds or Credits. Senator Sununu (R-NH) agreed with Senator Carper expressing a particular concern that the way the bill was drafted, the GSEs would not be permitted to invest in the Housing Credit program. Senator Santorum (R-PA) asked committee counsel, Doug Nappi, if the exclusion of Housing Bonds and Credits was intentional to which Nappi responded it was not. Finally, Senator Sarbanes (D-MD) added his voice to the argument that GSEs should be permitted to invest in Housing Bonds and Credits. Committee counsel assured Members the bill would be corrected.

H.R. 1461, the Federal Housing Finance Reform Act of 2005, the House bill aimed at reforming the GSEs passed through the House Financial Service Committee on May 25, 2005. That bill, passed by a 65-5 vote, does not limit the GSEs ability to invest in Housing Bonds and Credits.



Senator John Sununu (R-NH) addresses Coalition members at the 2005 Charles L. Edson Tax Credit Excellence Awards luncheon, at which he presented an award to Families in Transition for its Concord, NH Bicentennial Square development. Senator Sununu recently expressed concern that the Banking Committee's GSE bill, as written, would not allow GSEs to invest in Housing Bonds and Credits. Counsel to the Committee clarified that was not the intention of the legislation and the relevant provision will be re-drafted to clarify GSEs ability to invest in Housing Bonds and Credits.

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Q&A with Senator Mike Crapo (R-ID)

New Member of the Senate Finance Committee — Longtime Friend to Affordable Housing

Elected to the United States Senate in 1999, Senator Mike Crapo (R-ID) believes in collaborative, creative, and common sense approaches problem-solving. As a member of the Senate Banking, Housing, and Urban Affairs Committee, Senator Crapo has a strong finance background and has proven to be a champion of affordable housing. In 2004, he led the “Dear Colleague” letter urging the FSC-ETI bill conferees to include a favorable MRB provision.

Newly appointed to the Senate Finance Committee, Senator Crapo is actively involved in comprehensive tax reform and other issues critically important to the Housing Credit industry.

Below are responses from Senator Crapo to questions AHTCC recently submitted to him.

Q: *What issues are you looking forward to covering now that you are a member of the Senate Finance Committee?*

A: I am actively involved on the Finance Committee in its lead role in comprehensive tax reform and Social Security reform. Additionally, the Finance Committee has jurisdiction over trade policies that can have significant effects on the housing industry.

Q: *Why did you support the Mortgage Revenue Bond provisions proposed during last session's FSC-ETI bill?*

A: Last year, during the debate over the FSC-ETI bill, I advocated for relief of the Mortgage Revenue Bond (MRB) Ten-Year Rule for a one-year period. Inclusion of this relief provision would have made \$3.7 billion in below-market interest rate MRB money available to the states, resulting in the potential funding of 40,000 MRB mortgages. And 40,000 more mortgages means increases in construction-related jobs, increased spending to further stimulate the economy and increased government revenue.

Q: *What is your position, generally, on the Low Income Housing Tax Credit program, and the importance of providing a resources to de-*

velop or encourage development of affordable multifamily housing?

A: The Low Income Housing Tax Credit is an example of a public-private partnership for the public good. Affordable multifamily housing is often the first step toward financial independence for low-income families. Due to the nature of this type of housing, revenue is less than traditional housing starts, and the financing institution and builder take on some risk. The Credit provides incentives for financing and building, and the outcome is affordable housing for those who need it. It is a win-win situation for all involved.



Senator Mike Crapo (R-ID) recently joined the Senate Finance Committee which oversees the LIHTC program.

Q: *What role does affordable housing play in Idaho? Where is the current need in your state?*

A: Affordable housing is a necessary component to the housing market in Idaho. A portion of rural and urban residents across the state need affordable housing. Financial institutions and builders even in the smallest communities must have access to financial tools to help them open the door to homeownership for low-income families. Understanding that the best government work happens when federal, state and/or local agencies team up with the private sector, I work with HUD and other state and local entities to promote affordable housing by encouraging these critical partnerships.

Q: *What previous experiences (prior to being appointed to the Senate Finance Committee) do you have with affordable housing issues?*

A: I continue to serve on the Senate Banking, Housing and Urban Affairs Committee which has jurisdiction over HUD programs. I support S. 595, the “Housing Bond and Credit Modernization and Fairness Act of 2003.” I was also an original cosponsor to the American Dream Downpayment Act, passed in 2003, which provides down payment assistance to low-income American families.



Celebrating the 11th Annual Tax Credit Excellence Awards

On May 18, 2005, over 175 Coalition members, industry supporters, and Members of Congress attended the 11th Annual Charles L. Edson Tax Credit Excellence Awards luncheon on Capitol Hill to celebrate outstanding Housing Credit developments. Awards were given in three categories, Metropolitan/Urban Housing, Housing Developments for Seniors, and Housing Developments for People with Special Needs.

A panel of industry experts, lead by Charles L. Edson, selected the winning properties based on criteria including: location in hard-to-develop areas; tenant services; efforts to encourage greater tenant self-sufficiency; unique design features or tenant service facilities; and extraordinary community support. Award winners were chosen through the Coalition's nationwide solicitation for entries.

Winners in the Metropolitan/Urban Housing category included *The*

Christopher (New York, NY) and *St. George Hotel* (Los Angeles, CA). *Clare Court* (Baltimore, MD) won in the Housing Developments for Seniors category joining *Midland Commons* (Portland, OR) which won in the Housing Developments for People with Special Needs category. Winning properties received a \$5,000 cash award to be used towards adding additional services, facilities, or amenities to the property. In addition to the four award winners, 6 Housing Credit developments were presented honorable mention certificates.

The Coalition is dedicated to increasing public awareness of the success and efficiency of the Housing Credit program. The Annual Tax Credit Excellence Awards competition, which recognizes outstanding Housing Credit properties that exemplify the program's achievements, is a major part of that public relations effort.



▲ In a demonstration of the strong bipartisan support enjoyed by the Housing Credit program, Representative Dave Camp (R-MI) and Senator Debbie Stabenow (D-MI) both joined AHTCC to honor Trilogy Development as an honorable mention winner at the award presentations.

▶ Representative Charles Rangel (D-NY) reads the award inscription to hometown winners of the Metropolitan/Urban Housing award: *The Christopher* (New York, NY).



◀ Representative Nancy Johnson (R-CT) poses with Housing Developments for People With Special Needs award winner *Midland Commons* (Portland, OR).

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Not a Member of AHTCC? Join Now!

Let the Coalition work for you—the Coalition represents Housing Credit industry participants before Congress, the Administration, and other government agencies. Stay on top of the latest Housing Credit news through the Coalition newsletters, industry updates, and quarterly Coalition meetings. The Coalition keeps you informed while serving as your representative on issues that dramatically impact the Housing Credit program.

Who Should Join? Developers, syndicators, lenders, investment bankers, lawyers, accountants, non-profits, public agencies, and other professionals who work with the Low Income Housing Tax Credit program. Contact Victoria Spielman (202-419-2025 or vspielman@hunton.com) or Francine Friedman (202-955-1536 or ffriedman@hunton.com) for information on membership dues or with questions on member benefits, or visit www.taxcreditcoalition.org.

Save-the-Date

The Coalition's 2006 Annual Meeting will be held in Washington, DC January 30 to February 1.

AHTCC Staff and Address Changes

On July 19, Victoria Spielman took over as the executive director of the Affordable Housing Tax Credit Coalition. Prior to joining the Coalition, she spent four and a half years at the National Council of State Housing Agencies primarily focused on the Housing Credit program.

The Coalition thanks Linda Kirk for her many years of service and contributions to the success of the Coalition and wishes her well as she continues her work in affordable housing with the Institute for Responsible Housing Preservation.

Please Note AHTCC's New Location

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