



AHTCC NEWS

JANUARY 2006

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AHTCC's 2006 Annual Meeting January 31, 2006

Mark your calendars now for the Coalitions 2006 Annual Meeting and join your colleagues in Washington, DC. A tentative schedule of events is on page 6.

Please visit www.taxcreditcoalition.org for further information and to obtain a registration form. Contact Victoria Spielman, 202-419-2025 or info@taxcreditcoalition.org, with questions or for further information.

Gulf Coast States Receive Emergency Allocation of Housing Credits

Achieving a major goal, the Housing Credit industry celebrated as President Bush signed into law H.R. 4440, the Gulf Opportunity Zone Act of 2005, on Wednesday, December 21, 2005. The bill, an \$8 billion tax package intended to help in the Gulf Coast recovery efforts, contained an additional, emergency allocation of Housing Credits and private activity bonds for the affected states. At the bill signing, President Bush noted "this important bill will help the citizens of the Gulf Coast continue to put their lives back together and rebuild their communities in the wake of the devastating hurricanes that hit the region." President Bush thanked, in particular, Congressmen Jim McCrery (R-LA) and William Jefferson (D-LA) for their efforts in guiding the legislation through Congress.

The Gulf Opportunity Zone Act of 2005 contains several Housing Credit provisions. The Act provides an emergency increase in Credit authority for Alabama, Florida, Louisiana, Mississippi, and Texas. Alabama, Louisiana, and Mississippi will each receive additional authority totaling the lesser of the aggregate amount allocated (each year) to designated "GO Zones" or \$18.00 multiplied by the "GO Zones" population as of the last census for calendar years 2006, 2007, and 2008. The Act also provides that the additional Credit amounts be allocated prior to each year's normal per capita amount ensuring the emergency Credits will be used quickly to begin the rebuilding process in the Gulf Coast region. In addition to the new Credit authority, developments allocated Credit in designated "GO Zones" will be eligible for the 130 percent eligible basis boost provided to difficult development areas (DDAs). This DDA boost will allow more Credits to be put into developments in the areas hardest hit by Hurricane Katrina. "GO Zones" allocations made with the 130 percent basis boost will not be counted against the nationwide limit on DDAs. And, in a last minute

addition, H.R. 4440 provides an additional \$3.5 million in Housing Credit authority to Florida and Texas to assist in their recovery efforts and to house Hurricane Katrina evacuees.

**"We're now in the process of helping [hurricane evacuees] to transition to permanent homes. Helping people find housing is going to be one of the really important challenges that we all face together in order to help these areas rebuild."
– Remarks of President Bush at December 21, 2005 GO Zone Act of 2005 Bill Signing Ceremony**

The legislation also establishes "Gulf Opportunity Zone Bonds" which may be issued by Alabama, Louisiana, and Mississippi and are not subject to the private activity bond cap. The maximum amount each state may issue is \$2,500 per person located in "GO Zones" as of the most recent census. Among other provisions, the bill also amends requirements of the mortgage revenue bond program increasing the limit on home improvement loans for owner-occupied residences in "GO Zones" to \$150,000 and treating them as "targeted area residences."

The Gulf Opportunity Zone Act of 2005 passed the House on December 7, 2005 by a vote of 415 to 4 and passed the Senate on December 16, 2005 by unanimous consent. A complete summary of the housing related provisions included in H.R. 4440 can be found online at www.taxcreditcoalition.org.



TAX REFORM UPDATE

President's Advisory Panel on Federal Tax Reform Releases Recommendations

On November 1, 2005, the President's Advisory Panel on Federal Tax Reform delivered its final report, "Simple, Fair and Pro Growth: Proposals to Fix America's Tax System," to Treasury Secretary John Snow. The Report included two reform proposals: the Simplified Income Tax Plan and the Growth and Investment Tax Plan. The panel noted its goal, within both proposals, was to provide recommendations that would simplify the tax code, make it fairer, and promote economic growth.

Both proposals would eliminate most tax credits and deductions as well as the over-reaching and controversial alternative minimum tax (AMT). The panel did not however comment on the worthiness of particular tax preferences and, in fact, left the door open for adding certain programs back into the tax code provided they meet a specific, worthy social need. The Panel's report can be found in its entirety at www.taxreformpanel.gov.

The Panel reached these recommendations after holding 12 public meetings and reviewing comments from interest groups, corporations, and individuals. Both proposals would simplify the tax code and streamline the filing process for both individuals and business, lower tax rates, include tax benefits for homeownership, charitable giving, and health insurance, and encourage savings.

The Panel considered alternative tax reform recommendations including a progressive consumption tax, a value-added tax, and a national sales tax but decided not to recommend any of these approaches.

The President's Advisory Panel on Tax Reform members included:

- Chairman Connie Mack, former U.S. Senator and Senior Advisor, King & Spalding LLP
- Vice-Chairman John Breaux, former U.S. Senator and Senior Counsel, Patton Boggs LLP
- William E. Frenzel, U.S. House of Representatives and Guest Scholar, Brookings Institute
- Elizabeth Garrett, Sydney M. Irmas Professor of Public Interest Law, Legal Ethics and Political Science, University of Southern California
- Edward P. Lazear, Senior Fellow, Hoover Institution and Professor of Human Resources, Management and Economics, Stanford University's Graduate School of Business



Panel Chairman Connie Mack and Vice-Chairman John Breaux listen to testimony at one of the Panel's public hearings.

- Timothy J. Muris, Foundation Professor, George Mason University School of Law and Of Counsel, O'Melveny & Myers LLP
- James M. Poterba, Department of Economics, Massachusetts Institute of Technology
- Charles O. Rossotti, Senior Advisors, The Carlyle Group
- Liz Ann Sonders, Chief Investment Strategist, Charles Schwab

AHTCC filed comments with the panel on June 10, 2005. A copy of those comments can be found at www.taxcreditcoalition.org.



TAX REFORM UPDATE

Critics of the President's Advisory Panel on Federal Tax Reform's recommendations lined up to express their concerns shortly after the Panel delivered its final report to Treasury Secretary John Snow.

Some concerns came as no surprise as many industry groups had previously expressed resistance to recommendations imposing stricter limits on the home mortgage interest deduction and repealing the state and local tax deduction.

November 2, the day after the release of the Panel's final report, House Ways and Means Committee member Nancy Johnson (R-CT) addressed her concerns on the potential impact of the proposals on the housing industry. In a letter to Secretary Snow, Representative Johnson voiced opposition to lowering the cap on the mortgage interest deduction and more important, specifically addressed the danger to low-income Americans if the Housing Credit program were eliminated. She championed the program stating, "The Low Income Housing Tax Credit program has been an unmitigated success in channeling private investment to build needed, quality housing for low-income Americans."

In a November 17 letter to Secretary Snow, members of the House Ways and Means Committee including Representative Johnson voiced deep concern over the home mortgage interest deduction cap recommendation noting it is important for the Treasury to preserve "incentives for homeownership that are clearly working" in whatever recommendations are ultimately made by the Administration. The letter, signed by committee members, Weller (R-IL), Foley (R-FL), Shaw (R-FL), Johnson (R-CT), Heger (R-CA), Lewis (D-GA), Brady (R-TX), and Cantor (R-VA), indicates, the recommendations of the Panel, as is, will face a tough road through Congress.

Housing Credit industry groups are working to raise public awareness about the successes of the program and reinforce Representative Johnson's directive to protect the program. The industry feels strongly that the Housing Credit program can be distinguished from other tax credits in that it was created out of the last major tax reform effort and does not run contrary to the ideals of a more simple, fairer, pro-growth tax code. Further, without the Housing Credit program, affordable rental housing production would drastically decrease, thus putting safe and affordable housing out of reach for many low-income Americans. The Housing Credit program has traditionally enjoyed broad bipartisan support within Congress. Just five years ago, the Congress overwhelmingly voted to nearly double the program and in the most recent Congress, H.R. 2681, introduced by Congressman Jefferson (D-LA) and cosponsored by 60 members, proposes to double the available authority again. Furthermore, as detailed on page one, Congress included a significantly increased allocation of Housing credits in its GO Zone Act of 2005.

On November 21, the Coalition, with representatives from the National Council of State Housing Agencies, the National Association of Home Builders, the Enterprise Foundation, and the Local Initiatives Support Corporation met with Treasury officials to address industry concerns with the Panel's recommendations to remove most tax preferences and to emphasize the extraordinary success of the Housing Credit program in providing low-income Americans with safe, affordable housing. Treasury representatives in attendance included: Robert Carroll, Deputy Assistant Secretary, Office of Tax Policy; Kevin Fromer, Assistant Secretary, Office of Legislative Affairs; Arnie Havens, General Counsel; Becky Relic, Deputy Assistant Secretary, Public Liaison; Chris Smith, Chief of Staff; and Mark Warshawsky, Assistant Secretary, Office of Economic Policy. The group stressed the importance of the program highlighting it as efficient, well regulated, and necessary to achieving affordable housing goals. Treasury did not put forth a firm timeline for when it plans to provide its recommendations to the President but noted the Panel's report was only a starting point.

"The Low Income Housing Tax Credit program has been an unmitigated success in channeling private investment to build needed, quality housing for low-income Americans." – Nancy Johnson (R-CT)

Tax reform may be a controversial issue in the new year. During a November 16, 2005 House Ways and Means Committee hearing, nearly two dozen Members provided written and oral testimony on a variety of approaches to tax reform, many of which included adding new tax credits or preferences to the current code rather than eliminating them or simplifying the Code. On the Senate side, Senator Ron Wyden (D-OR) joined forces with Representative Rahm Emanuel (D-IL) offering a comprehensive, bi-cameral reform proposal which they assert would provide major tax relief to middle-class Americans and make the tax code simpler, flatter, and fairer. Senator Wyden introduced the "Fair, Flat Tax Act of 2005" in October 2005. Representative Emanuel announced on December 15, 2005 that he would introduce companion legislation in the House. The Act would reduce individual tax brackets from six to three and establish one flat corporate tax rate. The Act would also eliminate the AMT and several corporate tax preferences.

Any tax reform offered in the new year is likely to be limited. Many members of Congress have expressed a desire to extend the 2003 tax cuts. President Bush is likely to push for smaller reforms rather than an overwhelming tax overhaul to avoid a Congressional stalemate.



WASHINGTON WATCH

GSE Legislation Faces an Uphill Battle

After conceding that reform of Government Sponsored Enterprises (GSE) would have to wait until 2006, Senate Banking Committee Chairman Richard Shelby (R-AL) noted the committee would continue to push for legislation in the upcoming new year.

The House version of GSE reform legislation, H.R. 1461 - Federal Housing Reform Act of 2005, passed October 26, 2005 by a vote of 331-90, but hurdles remain between that bill and the Senate version. S. 190 - Federal Housing Enterprise Regulatory Reform Act of 2005. Earlier, the exclusion of Housing Bonds and Credits from the list of "permissible assets" GSEs Fannie Mae and Freddie Mac would be allowed to hold in the Senate version of the GSE legislation raised concern within the affordable housing community. Senate Banking Committee members made it clear this result was not intended and resolved to correct the issue.

H.R. 1461, will create a new, independent regulator to oversee Fannie Mae, Freddie Mac, and the 12 Home Loan Banks. The bill would also create a Housing Finance Oversight Board, and establish administrative provisions including: capital levels, classifications, and under-capitalized entities; loan levels; housing goals; and enforcement and compliance procedures.

While the House managed to make progress towards GSE reform, the Senate bill, S. 190, appears to be stuck in a stalemate with both sides expressing a need to reach a bipartisan agreement on the issue of including some form of an affordable housing trust fund. However, Chairman Shelby remains strongly opposed to the affordable housing trust fund language included in the House bill. Further, the White House has issued a formal statement opposing the House version of the bill saying it "lacks elements that are essential to protect the safety and soundness of the housing finance system and the broader financial system at large."

AHTCC will continue to monitor GSE reform legislation progress as Congress heads into the new year and provide updates as needed.

H.R. 2681, The Affordable Housing Tax Credit Enhancement Act of 2005

While proposals to increase available per capita Housing Credit amounts in areas affected by Hurricane Katrina have been included in recently introduced relief packages, H.R. 2681 would double the per capita Credit cap nationwide. Introduced on May 26, 2005 by representatives William Jefferson (D-LA) and Phil English (R-PA), the bill has gained 60 cosponsors including ten members of the House Ways and Means Committee. Please encourage members interested in cosponsoring H.R. 2681 to contact Todd Metcalf in Representative Jefferson's office at 202-225-6636.

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

This legislation would repeal the "recapture bond" provision in Section 42(j)(6) requiring an investor seeking to dispose of an interest in a Housing Credit property within the initial 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. To be eligible, the property would need to be reasonably expected to remain a qualified low-income development for the remainder of the property's compliance period. H.R. 1468 was introduced on April 5, 2005 by Representatives Nancy Johnson (R-CT), Charles Rangel (D-NY), and Kenny Hulshof (R-MO) and currently has 7 cosponsors. Coalition members are encouraged to contact their Representatives and ask them to contact Representative Johnson's office (202-225-4476) to sign on as a cosponsor.

H.R. 3159, The Community Restoration and Revitalization Act of 2005

The Community Restoration and Revitalization Act of 2005 would remove disincentives to combining the rehabilitation credit and the Housing Credit programs by increasing to 125 percent the applicable percentage used to calculate Housing Credit amounts for buildings eligible under both programs. H.R. 3159 was introduced on June 30, 2005 by Representative Phil English (R-PA) and has gained 5 new cosponsors since July increasing total cosponsorship to 32.



COALITION NEWS

Hot off the Presses

AHTCC's Grand Opening Guide for LIHTC Developers

In conjunction with Meridian Investments and other Coalition members, the Affordable Housing Tax Credit Coalition has developed a **Grand Opening Guide** to assist developers of Housing Credit properties in planning opening ceremonies for new Low Income Housing Tax Credit developments. This valuable tool will walk you through all the steps to planning and executing a successful and fun grand opening event! A limited number of bound copies of the **Grand Opening Guide** are available through the Coalition. Contact Victoria Spielman, 202-419-2025 or info@taxcreditcoalition.org, to request a copy, or visit www.taxcreditcoalition.org to download your copy today!

Special thanks to Meridian Investments' Jack Casey, Vice Chairman, Joan Rice, Meetings & Corporate Services Director, and Terry Drosdak, Event Manager, for their important contributions to the **Guide**.

AHTCC Awards Winners in the News



U.S. Senator John Sununu (R-NH) participates in ribbon cutting for "The Family Mill" — a Families in Transition affordable housing development in Manchester, NH on October 17, 2005.

- At last May's Charles L. Edson Tax Credit Excellence Awards ceremony, Senator John Sununu (R-NH) presented an honorable mention award to *Families in Transition* for a Housing Credit property developed to assist homeless women and their families. At that time, Senator Sununu noted the *Families in Transition's* "use of low income housing tax credits to help make the project a reality represents the potential of those federal incentives - and provides a model for peer agencies." Just two months later, after the Senate Appropriations Committee passed H.R. 3058, Senator Sununu announced that the Committee had included \$450,000 in funding for *Families in Transition* to establish the "Mothers with Children: Staying Together Recovery Program." in that legislation. The conference report for H.R. 3058 was passed by the House on November 18, 2005 by a vote of 392-31 and passed the Senate by unanimous consent on November 21. The Bill was signed by the President on November 30, 2005.

- AHTCC Congratulates the winners of *Affordable Housing Finance Magazine's* Reader's Choice Awards. Furthering the Coalition's goal of increasing the profile of the Housing Credit program on Capitol Hill, AHTCC distributed copies of *Housing for All Americans: The Best Affordable Housing Developments of 2004-2005* celebrating each of the 9 winners and 35 finalists to each member of Congress. We hope these award winning developments will serve as a reminder of what can be accomplished when the private sector and the federal government work together to achieve a common goal.



MEMBER NEWS



Darden Oaks, developed by Bennett & Company and located in Opelika, AL, won the Federal Home Land Bank's Partnership in Excellence Award.



Survivor of Hurricane Katrina, Stonegate, developed by Chartre Consulting, Ltd., located in Gulfport, MS incurred only minor damage.

Coalition News

The Coalition is pleased to welcome **Enterprise Community Investment** as the newest member of AHTCC's Executive Committee.

AHTCC Adds Eight New Members

Elizabeth Bramlet, Affordable Housing Consultant
Hudson Housing Capital, LLC
KPMG
Memphis Land Bank
National Council of State Housing Agencies
National Equity Fund, Inc.
NHT/Enterprise Preservation Corporation
Sidley Austin Brown & Wood

AHTCC's 2006 Annual Meeting Tentative Schedule

Tuesday, January 31, 2006

8:30 a.m. – 9:00 a.m.

Registration and Continental Breakfast

Nixon Peabody Conference Center

401 9th Street, NW, Suite 900

9:00 a.m. – 11:00 a.m.

Morning Sessions

11:30 a.m. – 12:30 p.m.

Special Luncheon (Invitation provided separately.)

1:30 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.

Possible Special Cocktail Reception (Information to be provided separately.)

** Coalition meetings are generally open to members only. If your organization has not previously paid membership dues to the Coalition, you may be eligible to attend your first Coalition meeting at a nonmember registration level—for subsequent meetings you would need to join the Coalition and pay membership dues to attend. Contact Victoria Spielman, 202-419-2025, with questions or to sign up!*



Showcase Your Success



Pictures truly do say a thousand words

Help AHTCC tell the story behind the Low Income Housing Tax Credit on the Hill today!

Now more than ever, as tax reform looms on the horizon, Members of Congress and the Administration need to see examples of successful, well-developed Housing Credit properties. Send pictures for use in future website features, newsletters, and Congressional materials directly to Victoria Spielman at info@taxcreditcoalition.org—please be sure to include the property name, type, location, number of units, and the name and title of anyone featured in the pictures.

Congressman Bennie Thompson (D-MS) participates in Groundbreaking Ceremony for Williamsburg Estates located in Greenwodd, MS.

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 Congressional representatives 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.



Senator Trent Lott (R-MS) joins Chatre Consulting, Ltd. at a groundbreaking ceremony for Sioux Bayou Arms. On January 17, 2006, Senator Lott announced his plans to seek another Senate term and noted that in his many years of service, Congress has made great progress on many things, including housing. He also noted the significant increase in Housing Credit authority granted in the GO Zone Act of 2005.



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 regularly held Coalition meetings. The Coalition keeps you informed while serving as your representative on issues that impact the Housing Credit program.

Who Should Join? Syndicators, developers, lenders, investment bankers, lawyers, accountants, nonprofits, public agencies, and other professionals who work with the Low Income Housing Tax Credit program.

Contact Victoria Spielman (202-419-2025 or info@taxcreditcoalition.org) 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.

To be added to the Coalition's media list, please email Victoria at info@taxcreditcoalition.org.

AHTCC Coming Attractions

AHTCC will launch its new website, www.taxcreditcoalition.org, in January 2006. Coalition members can look forward to a more interactive, user friendly site with the latest Housing Credit program news and a sleek, new look. Contact Victoria Spielman, 202-419-2025 or info@taxcreditcoalition.org, if you have Housing Credit property developments you would like to see highlighted on the website. The Coalition is interested in your feedback. If you have suggestions on ways to improve www.taxcreditcoalition.org, please let us know. Send your comments to info@taxcreditcoalition.org.

Applications for the 12th Annual Charles L. Edson Tax Credit Excellence Awards will be available in January 2006. Visit www.taxcreditcoalition.org for further details or to download an application. Contact Victoria Spielman, 202-419-2025 or info@taxcreditcoalition.org, for sponsorship opportunities or with any questions.

Make plans now to join AHTCC in Washington, DC to celebrate some of the best and brightest in Housing Credit developments at the AHTCC Spring Meeting and Charles L. Edson Tax Credit Awards luncheon, May 17th, 2006. A tentative agenda and registration information will be available online at www.taxcreditcoalition.org in March 2006.

