



# AHTCC NEWS

APRIL 2007

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## House of Representatives Puts Spotlight on Affordable Housing

When the Democrats obtained the majority in the House of Representatives, they identified the future of affordable housing as a policy priority. Democratic leadership has publicly expressed a desire to address obstacles to the production and preservation of affordable housing, garnering much support from the industry.

Shortly after inauguration, the House Ways and Means Committee began gathering information and ideas from industry groups about ways to address the affordable housing crisis and possible improvements to the Housing Credit program specifically. For a copy of the AHTCC list of current legislative priorities, please visit [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org). Ways and Means Committee Chairman Rangel (D-NY) has indicated support for exploring ways to expand the efficiency and effectiveness of the program, provided suggestions are realistic in light of current fiscal restraints including that the House has adopted “pay-go” rules which require adoption of any tax policy with a “cost” to be offset by equivalent revenue raises so that the provisions are deficit neutral.

### Ways and Means Addresses Rental Housing Shortage in Wake of Hurricanes

In addition to supporting an overall examination of the state of affordable housing, the House Ways and Means Committee is also concerned with the stark affordable rental housing shortage in the wake of Hurricanes Katrina, Rita, and Wilma. The Committee held a hearing focused on Katrina redevelopment tax issues on March 13, 2007. Oversight Subcommittee Chairman, John Lewis (D-GA) announced his intention to examine obstacles to timely and appropriate redevelopment in areas impacted by the hurricanes and discuss options for facilitating speedy recovery. Passed in the 109th Congress, the “Gulf Opportunity Zone Act” provided additional Housing Credits for states located in the Gulf Opportunity (GO) Zone, the Rita GO Zone, and the Wilma GO Zone. Chairman Lewis, however, said that overall the federal response in the wake of Hurricane Katrina has been a disgrace.

Witnesses at the hearing were Dianne Bolen, Executive Director of the Mississippi Home Corporation, and Milton Bailey, President of the Louisiana Housing Finance Agency. Both witnesses requested an extension of placed-in-service deadlines for GO Zone Credits a request which Chairman Lewis agreed could not be delayed any longer. Subcommittee Ranking Member Jim Ramstad (R-MN) questioned whether the extension could lead to unnecessary delays to which the witnesses responded that there are significant penalties already in place for developers who unnecessarily delay developments. Ramstad stated he was comfortable with their assurances and expressed support for the extension.

Shortly after the hearing, Chairman Rangel and Ranking Member Jim McCrery (R-LA) introduced H.R. 1562, the “Katrina Housing Tax Relief Act of 2007.” The bill was marked-up on Wednesday, March 21, 2007, and passed by the full Committee by voice vote. The bill would make several changes to provisions of the GO Zone Act intended to facilitate rebuilding in designated areas of the Gulf Coast impacted by Hurricanes Katrina, Rita, and Wilma. Specifically, the bill will extend the placed-in-service deadline for Housing Credit allocations for two years, until December 31, 2010. Also included in the bill is a proposal excluding Community Development Block Grant (CDBG) funds from determining if a building is federally subsidized. For purposes of applying Section 42(i)(2)(D), CDBG funds would not be taken into account in determining if properties placed in service in GO Zones are federally subsidized.

Additionally, the bill included revenue raisers relating to the IRS’ ability to levy fines before a hearing and an amendment offered by Representative Kenny C. Hulshof (R-MO) which would require the GAO to study the practices employed by state and local governments in allocating and utilizing tax incentives provided under the GO Zone Act of 2005. The amendment requires the GAO to report its findings with recommendations to the House Ways and Means Com-

### AHTCC Welcomes New Members

Affordable Housing Institute  
Connecticut Housing Finance Authority  
Cook Inlet Housing Authority  
Homes For America  
Tennessee Housing Development Agency  
Victory Housing

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mittee and the Senate Finance Committee within one year of enactment. If the report includes significant findings of fraud, waste or abuse, the Ways and Means Committee and Senate Finance Committee would be required to hold a public hearing to review the report's findings.

H.R. 1562 passed the full House on March 27, 2007 by voice vote and was referred to the Senate.

## House Financial Services Committee Addresses Katrina Recovery

House Financial Services Chairman Barney Frank (D-MA) has voiced deep concern over the federal housing response in the wake of Hurricanes Katrina and Rita. In a full-Committee hearing on February 6, 2007, Chairman Frank expressed frustration that federal policy has failed to meet its responsibility in relation to the Hurricanes. After hearing over eight hours of testimony from four panels of more than 20 witnesses including Representatives Gene Taylor (D-MS), William Jefferson (D-LA), Charles Boustany (R-LA), and Charlie Melancon (D-LA), Chairman Frank and Subcommittee on Housing Community and Opportunity Chairwoman Maxine Waters (D-CA) committed to introduce legislation by the end of March.

Following through on that commitment, the House Financial Services Committee passed by a bipartisan vote of 50-16 the “Gulf Coast Hurricane Housing Recovery Act of 2007.” In a March 7, 2007, press release, Subcommittee Chairwoman Waters stated “this bill will create the opportunity for residents of public housing to be able to return from cities around the country to their everyday lives. I am glad we finally made it possible for them to go home.” Specifically, the bill will provide increased flexibility for already allocated funds, create new oversight of existing programs, preserve public housing and assist evacuees with rental housing, and provide support for landlords and local communities who assisted evacuees with housing.

## House Financial Services Committee Passes HUD 2530 Legislation

After an extensive effort to address investor concerns with the HUD Form 2530 filing process, the House Financial Services Committee passed H.R. 1675, the “Preservation Approval Process Improvement Act of 2007” by voice vote on March 29, 2007.

The bill, introduced by Congresswoman Melissa L. Bean (D-IL) and Congressman Paul E. Gillmor (R-OH), will reduce unnecessary and overly burdensome HUD filing requirements for purposes of participating in HUD programs. The current requirements under the HUD 2530 filing process are discouraging investment in affordable housing and the legislation is designed to address that problem. Specifically, the bill would exempt limited

liability corporate investors from being required to file. Additionally, the bill would allow for continued paper filings for those still required to file until technical issues with the APPS filing system have been corrected.

House Financial Services Chairman Frank stated during the mark-up that this was an example of HUD over-regulating the affordable housing industry. Additionally, Chairman Frank introduced an industry sign-on letter, spearheaded by the Coalition and the National Leased Housing Association, supporting the legislation. Further, Committee Ranking Member Spencer Bachus (R-AL) indicated the sign-on letter was a good indication of the merits of the legislation. (A copy of the sign-on letter can be found at [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org).)

The Coalition, and other industry groups, have been working for more than a year to resolve the issues surrounding HUD's 2530 filing process. Members of the House Financial Services Committee have been supportive and extremely helpful in trying to address the issues identified in the bill but, to date, an acceptable resolution has not been reached. Questions regarding the 2530 issue should be directed to Coalition legislative counsel Francine E. Friedman at 202-955-1536 or [ffriedman@hunton.com](mailto:ffriedman@hunton.com)

## House Financial Services Committee Takes Aim at HUD Budget

In addition to taking fast action on Hurricane recovery legislation, Chairman Frank has expressed concern over the general shortage of available, affordable rental housing in the country. Responding to the President's proposed Fiscal Year 2008 budget in a press release issued by Chairman Frank and Congresswoman Waters, Frank stated “the President has now adopted the argument that the nation must sacrifice at a time of war, but based on his housing budget, only those that are in the most need and the most vulnerable, should sacrifice.”

Echoing his concern, Congresswoman Waters stated “there is a housing crisis in America. It is inconceivable that the President's budget would reduce support for low- and moderate-income families rather than expand affordable housing opportunities for those truly in need.”

The Chairman identified the following concerns:

- An approximate \$450 million net cut of 7 percent for public housing;
- Only a slight 9 percent increase for voucher renewal funding; (this amount does not include an inflation adjustment which would ultimately mean a \$500 million cut compared to vouchers currently being funded through the continuing resolution.)
- A 20 percent cut in Community Development Block Grant funding; and
- a 22 percent cut in Section 202 elderly housing.

## Get Your Copy of the Grand Opening Guide For Developers Today!

Are you planning a grand opening for your newest Housing Credit property? Get tips and suggestions from the *Coalition's Grand Opening Guide for LIHTC Developers*. Developed in conjunction with Meridian Investments, this valuable guide will walk you through all the essential steps to planning and executing a successful and fun event. Visit [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org) to download your copy. Or, contact Victoria Spielman (202-419-2025 or [info@taxcreditcoalition.org](mailto:info@taxcreditcoalition.org)) to request a hard copy.

Let the Coalition help with your groundbreaking and ribbon cutting ceremonies. Create even more excitement surrounding your event by requesting participation from your Congressional representatives. AHTCC can assist you in inviting Congressional Members and their staff. The Coalition can also work with you to arrange site visits for Members and their staff if you have established properties you would like to show off.



# WASHINGTON NEWS

## House Financial Services Committee Passes GSE Reform

March 29, 2007, the House Financial Services Committee passed H.R. 1427, the “Federal Housing Finance Reform Act of 2007.” The bill passed by a vote of 45-19.

This legislation will overhaul the regulatory oversight of the Government Sponsored Enterprises (GSEs) — Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Specifically, the bill will create a new independent regulator and create an affordable housing fund which will dedicate hundreds of millions of dollars for the construction, maintenance, and preservation of affordable housing. The bill will target the first year funding from the affordable housing fund to areas impacted by Hurricanes Katrina, Rita, and Wilma.

This legislation builds on legislation passed by the House during the 109th Congress.

## Military Basic Housing Allowance Legislation Introduced

On March 14, 2007, Senators Pat Roberts (D-KS) and Sam Brownback (R-KS) introduced S. 839, the “Military Access to Housing Act of 2007.” This bill would amend the Internal Revenue Code of 1986 to exclude amounts received as a military basic housing allowance from consideration as income for purposes of the Housing Credit program. Two days later, Congressmen James P. Moran (D-VA), Walter Jones, Jr. (R-NC), and Ron E. Paul (R-TX) introduced H.R. 1481, the House companion legislation. The Senate version does not currently list any additional cosponsors. The House version has one additional cosponsor, Nancy Boyda (D-KS).

Recently, the Affordable Housing Tax Credit Coalition’s Board of Directors voted to support this legislation and has included the proposed change to the Housing Credit program among its legislative priorities for 2007. To view a complete list of the Coalition’s legislative priorities, visit [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org).

## Congressmen Davis (D-AL) and Ramstad (R-MN) Introduce Exit Tax Legislation

On Tuesday, March 13, 2007, Congressmen Artur Davis (D-AL) and Jim Ramstad (R-MN) introduced H.R. 1491, the “Affordable Housing Preservation Tax Relief Act of 2007.” Identical to legislation introduced in the 109<sup>th</sup> Congress, this bill would provide taxpayers who own limited partnership interests in qualified affordable housing developments to dispose of their interests without paying a recapture tax if the property is sold to

a qualified preservation entity who agrees to maintain the affordability restrictions of the property for another 30 years.

AHTCC supports this legislation and has signed onto an industry support letter submitted to House Ways and Means Committee Chairman Charles Rangel (D-NY) on March 15. The bill currently has three additional cosponsors: Earl Blumenauer (D-OR), Michael Michaud (D-ME), and Barney Frank (D-MA).

## Historic Credit Legislation Introduced

On February 15, 2007, Representatives Stephanie Tubbs Jones (D-OH) and Phil English (R-PA) introduced H.R. 1043, the “Community Restoration and Revitalization Act of 2007,” which offers improvements to the historic preservation tax credit program.

Since its enactment in 1976, the historic preservation tax credit program has generated over \$36 billion in renovation and revitalization by promoting urban and rural revitalization through private investment in reusing historic buildings. The program allows owners of historic buildings to receive an income tax credit of 20 percent of the amount spent to rehabilitate certified historic structures.

H.R. 1043 would increase the efficiency of the historic preservation tax credit program—a key aspect of the Bill is to increase the program’s effectiveness for creating affordable rental housing. Specifically, Section 2 of the Bill would address current disincentives to combining the historic preservation tax credit and Low Income Housing Tax Credit (Housing Credit) by amending Section 42 (the Housing Credit statute) to increase by 125 percent the applicable percentage used to calculate Housing Credits for buildings eligible for both Housing Credits and historic preservation tax credits.

H.R. 1043 has 42 cosponsors including six House Ways and Means Committee Members. A list of current co-sponsors can be found online at [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org).

Senators Blanche L. Lincoln (D-AR), Gordon H. Smith (R-OR), and Mary Landrieu (D-LA) introduced S. 584, the Senate companion legislation, on February 14, 2007. The Senate version of this legislation currently has three additional cosponsors: Joseph Lieberman (D-CT), Wayne Allard (R-CO), and Kay Bailey Hutchison (R-TX).

## IRS Publishes Guidance on Section 4965

February 7, 2007, the Internal Revenue Service published Notice 2007-18 providing guidance to tax-exempt entities seemingly impacted by previous IRS Notice 2006-65 which addressed prohibited tax shelter

transactions to which tax-exempt entities are a party. Notice 2007-18 cited Revenue Procedure 2007-20, which stated transactions in which the refundable or contingent fee is related to tax credits under IRC Section 42 will not be treated as reportable transactions and, thus, will not be subject to Section 4965.

AHTCC had requested, in an August 11, 2006 letter to the U.S. Department of the Treasury, that the IRS and Treasury publish guidance clarifying the intent of the new Code Section 4965 described in Notice 2006-65 was not to dissuade or otherwise preclude the participation of tax-exempt entities in programs such as the Low Income Housing Tax Credit program.

### IRS Releases 8823 Audit Guide

The long-awaited *Guide for Completing IRS Form 8823* was released by the Internal Revenue Service (IRS) on January 12, 2007. The guide should provide standardized operation definitions for noncompliance categories and result in more consistent interpretation and application of Section 42 requirements, more consistent reporting of noncompliance to the IRS, and enhanced program administration by the IRS.

State Housing Credit allocating agencies are required to monitor all Housing Credit properties for compliance with Section 42 requirements. When instances of noncompliance are identified, allocating agencies notify the IRS by filing a Form 8823, Low Income Housing Credit Agencies Report of Noncompliance or Building Disposition. Those forms are reviewed by the IRS to determine if an audit of the property owner's tax return is needed.

## AHTCC Announces 13th Annual Charles L. Edson Tax Credit Excellence Awards Program

The Affordable Housing Tax Credit Coalition is proud to announce the 13th Annual Charles L. Edson Tax Credit Excellence Awards program. These awards are presented to the most outstanding Low Income Housing Tax Credit (Housing Credit) developments in several distinct categories. Each winner receives a \$5,000 grant to be used to bring additional services, facilities, or amenities to the winning development for the benefit of its residents.

Edson Awards are presented to winning properties in several categories including:

- Property located in a metropolitan area (minimum population of 50,000 of Standard Metropolitan Area SMA)
- Property located in rural area (maximum population of 50,000 SMA)
- Special Needs Housing — without regard to property location
- Senior Housing

The Charles L. Edson Tax Credit Excellence Awards will be presented at a Capitol Hill ceremony in Washington, DC in June 2007. The Coalition will invite Members of Congress, including those from areas in which winning developments are located, their staff, and leaders in the affordable housing community.

The *Guide for Completing IRS Form 8823* includes instructions for completing the Form as well as guidelines for determining if noncompliance exists and reporting property dispositions. Many state agencies have been actively involved in reviewing draft versions of this Guide and providing input to the IRS on its content.

A complete copy of the Guide can be found online at [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org).

### AHTCC Tentative 2007-2008 Event Calendar

**Spring Meeting and Charles L. Edson  
Tax Credit Excellence Awards Luncheon**  
June 5, 2007 ~ Washington, DC

**Fall Membership Meeting**  
September 18-19, 2007 ~ Washington, DC

**Annual Membership Meeting**  
January 27-30, 2008 ~ Surf & Sand Resort, Laguna Beach, CA\*

\*AHTCC will begin accepting reservations for the hotel rooming list in September 2007. Reservations cannot be made directly with the hotel.

If your organization is interested in becoming a **sponsor** of the 13th Annual Charles L. Edson Tax Credit Excellence Awards program, please visit [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org) to download a sponsorship application today. Applications must be received by **May 4, 2007** to be included in program materials. Contact Coalition executive director, Victoria Spielman at 202-419-2025 or [info@taxcreditcoalition.org](mailto:info@taxcreditcoalition.org) with questions.



## Don't Wait Any Longer. Join the Coalition Today!

Let the Coalition work for you! The Coalition represents Housing Credit industry participants before Congress, the Administration, and other governmental agencies. Stay on top of the latest Housing Credit issues through AHTCC News, 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. Lend your voice to the always-growing Coalition presence by joining today.

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 Coalition executive director, Victoria Spielman at 202-419-2025 or [info@taxcreditcoalition.org](mailto:info@taxcreditcoalition.org) to request a membership brochure or for more information on membership dues and benefits. Or, visit [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org) to download a membership application today.

To be added to the Coalition's media list, please email Victoria at [info@taxcreditcoalition.org](mailto:info@taxcreditcoalition.org).

## AHTCC Celebrates 20th Annual Home Court Charity Basketball Game



*Hill's Angels Coach Congresswoman Stephanie Tubbs Jones (D-OH) and Hoya Lawyas Coach Everett Bellamy welcome the crowd. Congresswoman Tubbs Jones noted that she has participated in this event for many years, but she expressed hope that one day the event will no longer be necessary as she hopes to eliminate homelessness.*



*And in this corner, introducing, the Hill's Angels!*

On Wednesday, March 21, 2007 *March Madness* reached the Capitol at the 20th Annual Home Court Charity Basketball Game between the *Hill's Angels* (Members of Congress) and the *Hoya Lawyas* (Georgetown University Law Center faculty and staff). This annual event was started by a group of Georgetown law students in 1987 and all proceeds from the event benefit the Washington Legal Clinic for the Homeless, a nonprofit corporation dedicated to providing free legal services to homeless individuals and families in Washington, DC. Over the past 19 years, Home Court has raised over \$2 million to support the clinic's efforts. This year's efforts exceeded any other year with more than \$300,000 raised for the Washington Legal Clinic for the Homeless.

In a hard-fought game, the Hoya Lawyas narrowly defeated the Hill's Angels 47 to 38. Hill's Angels coach Congresswoman Stephanie Tubbs Jones (D-OH) was disappointed by the loss but vowed to be back next year. The Hill's Angels had great turnout for this worthy cause. Congressional participants included: Zach Wamp (R-TN), Joe Baca (D-CA), Jeff Flake (R-AZ), Kendrick Meek (D-FL), Dean Heller (R-NV), Gene Green (D-TX), Kenny Hulshof (R-MO), Mike Arcuri (D-NY), and Melvin Watt (D-NC).

The Coalition proudly cosponsored the event and Coalition representatives Francine Friedman, Heather Wetzel, and Victoria Spielman handed out AHTCC water bottles to attendees. AHTCC also sponsored the popular half-time shoot-out between Georgetown University Law Center students hoping to win free books for the next semester.



# AHTCC Elects New President and Welcomes New Board Members

AHTCC welcomes new Board President, Ronne Thielen, Centerline Capital Group. Elected at the 2007 Annual Meeting, Ronne takes the reigns from G. David Sebastian, Capmark Financial Group, Inc., who led the Coalition for the last two years. Currently Ronne is managing director at Centerline Capital Group. She has also served as executive director of the California Tax Credit Allocation Committee and held positions at the Vermont Housing Finance Agency and the National Council of State Housing Agencies. The Coalition thanks former president, David Sebastian, and is grateful for his past leadership and continued involvement.

Additionally, the Coalition elected new members to its Board of Directors.

## 2007 Board of Directors

### President

Ronne Thielen, *Centerline Capital Group (formerly CharterMac)*

### Vice Presidents

John P. Casey, *Meridian Investments, Inc.*  
 Todd Crow, *PNC MultiFamily Capital*  
 Joseph Hagan, *National Equity Fund, Inc.*  
 Aline Lavelle, *Moors & Cabot*  
 James McDermott, *Holland & Knight, LLP*  
 Michael J. Novogradac, *Novogradac & Company LLP*

Elizabeth Priestley, *SunAmerica Affordable Housing Partners*  
 David Robbins, *MMA Financial, LLC*  
 David Salzman, *The Richman Group, Inc.*  
 Stockton Williams, *Enterprise Community Investments*

### Secretary

Alan S. Cohen, *Paul, Hastings, Janofksy & Walker LLP*

### Treasurer

Beth Mullen, *Reznick Group, P.C.*



New Mexico Lt. Governor Diane D. Denish joins state legislators, Mayor Bob Roseborough and representatives from the New Mexico Mortgage Finance Authority, Supportive Housing Coalition of New Mexico and CARE 66 at the January 11, 2007 groundbreaking of The Chuska Apartments in Gallup, NM. The Chuska Apartments provide 30 units of rental housing serving residents earning between 30 and 60 percent of area median income including 10 units set aside as transitional housing for homeless families with children. Photograph provided courtesy of the New Mexico Mortgage Finance Authority.

## Call for Pictures

Gain nationwide attention for your Housing Credit properties by submitting photos for the new Housing Credit Photo Gallery found exclusively at [www.taxcreditcoalition.org](http://www.taxcreditcoalition.org).

Have pictures from recent grand opening events or unique developments worthy of recognition? AHTCC welcomes and encourages submissions of pictures of Housing Credit properties and ribbon cutting or groundbreaking ceremonies. Show off your success stories in future AHTCC News newsletters, website features, or Congressional materials by sending your pictures to Coalition executive director, Victoria Spielman at [vspielman@hunton.com](mailto:vspielman@hunton.com). Please be sure to include the property name, type, location, number of units, and the name and title of anyone featured in the pictures. Pictures of well development, successful properties help make the case of how important the Housing Credit program truly is!



Located in Seattle, Washington, the Cooper School development required the substantial rehabilitation of a vacant historic school and combined both Housing Credits and historic tax credits to create 36 units of affordable rental housing. An attached commercial component provides a community art center including theater, visual arts gallery, cafe, and media studio. Photograph provided courtesy of National Equity Fund, Inc.

Salinas Road, located in Salinas, California, provides 63 units of affordable rental housing to very low-income families and farmworkers. Photograph provided courtesy of National Equity Fund, Inc.



New Mexico Lt. Governor and Mortgage Finance Authority Board Chair, Diane D. Denish, and others participate in the ribbon cutting ceremony for Azotea Senior Apartments located in Alamogordo, New Mexico. The Azotea Senior Apartments provide 60 units of affordable rental housing for senior households age 62 and older. Azotea Senior Apartments is also the winner of a \$50,000 Green Communities grant from Coalition Board member Enterprise Community Investment. Photograph courtesy of New Mexico Mortgage Finance Authority.