

## **Ensuring NAHMA Members Receive the Latest News and Analysis of Breaking Issues in Affordable Housing**

National Affordable Housing Management Association – 400 N. Columbus Street, Suite 203 - Alexandria, VA 22314  
Phone 703-683-8630 - Fax 703-683-8634 - [www.nahma.org](http://www.nahma.org)



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### **S. 2666: The Affordable Housing Investment Act of 2008**

#### **Background**

Senator Maria Cantwell introduced the Affordable Housing Investment Act of 2008 in an effort to:

- Facilitate development of Housing Credit Property;
- Improve coordination between housing programs;
- Facilitate private investment into affordable housing;
- Preserve existing affordable housing;
- Simplify the administration of the housing credit program;
- Conform Multifamily Housing Bond Rules to Housing Credit Rules; and
- Improve the Mortgage Revenue Bond Program,

#### **Summary**

The bill will:

- Change the name of the program from the Low Income Housing Tax Credit (LIHTC) to the “Affordable Housing Tax Credit” (AHTC);
- Set the LIHTC credit percentages at 9 percent and 4 percent;
- Give the state allocating agencies authority to award 130% credits for properties that meet state-specified geographic or income targeting;
- Remove penalties for using below market federal loans by creating a single 9% tax credit for which new construction and substantial rehabilitation costs would be eligible, even if they are financed with federal appropriations;

- Allow HOME-assisted properties located in qualified census tracts (QCT) or difficult development areas (DDA) to receive the 30 percent increase;
- Revise the income targeting scattered site rule to allow for mixed-income development;
- Base rural rent/income ceilings on 60% of national non-metro median income;
- Expand the allowable basis for community service facilities;
- Eliminate the restriction on the use of tax credits for Section 8 Moderate Rehabilitation in order to recapitalize these projects;
- Clarify that certain Federal subsidies will not be considered a grant when determining eligible basis of qualified low-income buildings;
- Repeal the recapture bond rules of the Low-Income Housing Tax Credit;
- Exempt Affordable Housing Tax Credits and interest income from mortgage revenue, veteran mortgage, and multi-family bonds from the Alternative Minimum Tax (AMT);
- Repeal the ten year rule for acquisition Housing Tax Credits;
- Modify the related party rule to match with the general rule in the Tax Code;
- Eliminate the requirement for the annual recertification of tenant incomes in 100% LIHTC income-targeted properties;
- Conform the “next available unit rule” and definition of “student” used for tax-exempt bond properties to the LIHTC rules;
- Extend the LIHTC rule for Single-Room Occupancy (SRO) housing to tax-exempt bond properties;
- Repeal the ten year rule for mortgage revenue bonds to increase the number affordable MRB-financed mortgages to qualified low-income, first-time home buyers; and
- Permit displaced homemakers, single parents, and certain disaster victims to be treated as first-time homebuyers under the mortgage revenue bond program.

### **Positive Aspects of this Legislation**

This bill has several elements of bills NAHMA has supported in the past—such as H.R. 2681, the Affordable Housing Tax Credit Enhancement Act of 2005, and H.R. 1468, a Bill to Replace the LIHTC's Recapture Bond Provisions, from the 109<sup>th</sup> Congress and H.R. 3485 - Affordable Housing Preservation Tax Relief Act, and H.R. 284/ S. 595, the Housing Bond and Credit Modernization and Fairness Act, from the 108<sup>th</sup> Congress. S. 2666 it is excellent legislation that

will help update the LIHTC program and improve coordination among the affordable housing programs.

Industry experts believe the AMT relief and repealing the recaptured bond rules could help address concerns of large investor corporations that have been pulling out of the LIHTC market.

Although the House bill to be introduced by House Ways and Means Committee Chairman Charles Rangel is likely to be more comprehensive than S. 2666, the fact that a Senate bill was introduced is reassuring. The window of opportunity for advancing legislation is slowly closing as the political conventions and elections approach.

The importance of having members of both the House and the Senate interested in legislation to improve the LIHTC program cannot be overstated.

### **Concerns**

While NAHMA is pleased with the overall bill, one issue that is not addressed is the relationship between the utility allowances and the LIHTC rents. As members know, when utility allowances increase, rents will generally decrease. The effect of this relationship on the long-term sustainability of LIHTC properties remains a serious concern to NAHMA.

As mentioned above, time is of the essence in moving tax credit—or any housing—legislation this year. Fortunately, the House Ways and Means Committee Chairman Rangel, and the House Financial Services Committee Chairman Barney Frank are committed to moving legislation that makes the LIHTC more compatible with other HUD, RHS, and State housing programs. The question is whether differences in the House and Senate approaches can be resolved quickly, and whether the process results in a bill that the President will sign.

### **NAHMA's Position**

NAHMA strongly supports S. 2622 and requests that all NAHMA urge their Senators to co-sponsor this bill. Likewise, NAHMA will keep members up-to-date on the developments in the House of Representatives as they unfold.