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July 2, 2014

Chairman Dave Camp  
House Ways and Means Committee  
1102 Longworth House Office Building  
Washington D.C. 20515

Dear Chairman Camp,

Thank you for this opportunity to submit comments on the Tax Reform Act of 2014 on behalf of the National Affordable Housing Management Association (NAHMA). NAHMA members manage and provide quality affordable housing to more than two million Americans with very low to moderate incomes. The membership of NAHMA is comprised of the presidents and executives of property management companies, owners of affordable rental housing, public housing agencies, and providers of supplies and services to the affordable housing industry. In addition, NAHMA serves as the national voice in Washington for 19 regional, state and local affordable housing management associations ([AHMAs](#)) nationwide.

These comments will focus on the importance of Low-Income Housing Tax Credit (LIHTC) for affordable housing development and preservation. The LIHTC program is an example of a successful public-private partnership, and serves as the primary source of federal funding to construct new affordable apartments. In the program's 26-year history, nearly \$100 billion in private equity capital has been leveraged to finance more than 2.6 million affordable homes. Additionally, the LIHTC has spurred job growth and strengthened local economies, supporting jobs for 95,000 Americans annually.

To begin, NAHMA greatly appreciates that the Low Income Housing Tax Credit (LIHTC) was retained in your draft tax reform bill. While other business tax credits were eliminated, we thank you for recognizing the importance of the LIHTC and the benefits it provides to low-income communities. However, NAHMA is concerned that the LIHTC changes proposed in the draft Tax Reform Act go far beyond the modest updates that our members agree would enhance the program's effectiveness as a preservation tool. In fact, the draft bill eliminates the 4 percent credit, which is a key component of preservation involving the LIHTC.

Similarly, changes made to the 9 percent credit inject a level of uncertainty into the program which may negatively affect investors' demand for the credits. Generally speaking, NAHMA recommends that any comprehensive tax reform bill retain the LIHTC program in its current form, but with specific updates to make the program more effective in preserving older federally-assisted properties. We also strongly urge the Committee to remove occupancy barriers in the LIHTC program for full-time adult students seeking to increase their economic opportunities through education.

### **The 70 Percent Present Value LIHTC**

The 9 percent (70 percent present value) credit has been a driving force in LIHTC program's success, and generally functions well as a vehicle to provide new workforce housing.

A credit's value typically floats with interest rates, but the credit rate was temporarily fixed at 9 percent under the Housing and Economic Recovery Act (HERA), and again through December 31, 2013 under the American Taxpayer Relief Act of 2012. The 9 percent minimum credit rate simplified state administration of the program and removed the financial uncertainty and risk associated with underwriting LIHTC financed

PROTECTING THE INTERESTS OF AFFORDABLE HOUSING PROPERTY MANAGERS AND OWNERS

properties. However, since the floor expired at the end of 2013, the floating rate has returned. This may reduce the amount of equity that a development could receive.

The discussion draft of the Tax Reform Act of 2014 continues the floating rate for 70 percent present value LIHTC. NAHMA is concerned that this proposal will make the development of new affordable housing units more difficult and will inject uncertainty into the program. The LIHTC functions well in its current form and should not be substantially altered in a way that could make the credits less attractive to investors.

NAHMA recommends that the Ways and Means Committee instead pursue legislation similar to S. 1442, the Improving the Low Income Housing Tax Credit Rate Act introduced by Senator Maria Cantwell in August of 2013, or H.R. 4717, which was introduced by Representative Pat Tiberi in May of 2014. These bills would make permanent the minimum 9 percent LIHTC rate for new buildings that are not federally subsidized at the 70 percent present value level. Making this rate permanent will provide security in the mortgage loan process and continue the LIHTC's positive impact on affordable housing production and job creation.

### **The 30 percent present value LIHTC**

While the LIHTC is often used to drive new affordable housing construction, the preservation and rehabilitation of affordable housing properties is also achieved through use of the credits. States are allowed to provide housing credits from their capped allocation for the acquisition of existing properties through the 30 percent present value LIHTC. These acquisitions help maintain and increase our nation's affordable housing stock while simultaneously helping local communities recover blighted properties. Industry groups have advocated that the fixed minimum credit rate for acquisition housing credits should be set at no less than 4 percent. The 4 percent level would similarly remove the uncertainty and financial complexity of the floating rate system, simplify state administration, and facilitate preservation of affordable housing.

NAHMA is concerned that the draft Tax Reform Act of 2014 proposes to eliminate the 30 percent present value LIHTC. We strongly urge reconsideration of this provision. Eliminating the credit would substantially reduce important preservation and rehabilitation activities. Again, NAHMA recommends that the Committee instead pursue legislation similar to (Tiberi and )S. 1442 during the tax reform process. S. 1442 would establish a minimum 4% credit rate for existing buildings that are not federally subsidized. Making this permanent would strengthen the LIHTC and provide incentives for private investment in affordable housing preservation.

### **Modest Reforms to Enhance the LIHTC as an Affordable Housing Preservation Tool**

Additionally, we suggest that the Committee pursue legislation that would make the LIHTC more cohesive with other federal programs to further leverage its success. The Committee should also examine ways to make the student occupancy rule for LIHTC properties more cohesive with other federal programs and remove the conflicting occupancy rules for full-time students that exist between HUD and the Treasury Department.

For example, HUD recently released for comment a draft chapter for inclusion in the revised Asset Management Handbook ( HUD Handbook 4350.1, Multifamily Housing Asset Management & Servicing). The draft chapter notes that while the Section 8 student restrictions are different from LIHTC, property owners and managers should adhere to the Section 8 student rule policy if there is a Section 8 Housing Assistance Payment (HAP) contract in place. We are concerned that the proposed language effectively advises owners and managers to disregard the statutory LIHTC requirements. Violating the LIHTC student rule jeopardizes the very tax credits necessary to preserve and recapitalize HUD-assisted properties. We are hopeful that HUD addresses our concerns prior to finalizing the new 4350.1 Asset Management Handbook, but we believe this example underscores the need for a solution to the conflicting student occupancy laws.

The Administration's FY 2015 budget request contains proposals to reform and expand the tax credit such as allowing states to convert a portion of their tax-exempt Private Activity Bond authority into allocated LIHTCs or authorizing additional income qualifying criteria for tenants. NAHMA supports other proposals from this budget request including adding preservation of federally assisted affordable housing as an eleventh selection criterion that must be included on Qualified Allocation Plans (QAPs). NAHMA urges the Committee to support this and other LIHTC reforms which will enhance its use as a preservation tool.

## **Conclusion**

Thank you for the opportunity to comment on reform proposals to the LIHTC. NAHMA and its members look forward to working with you on comprehensive tax reform.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Cook".

Kris Cook, CAE  
Executive Director