

Low Income Housing Tax Credits and Tax-Exempt Bonds

The bill contains several provisions related to the coordination of HUD's and Rural Housing Service's programs' coordination with the low income housing tax credit and changes to the low income housing tax credit program itself. The bill will temporarily increase, by 10%, the amount of low income housing tax credits to states for 2008 and 2009. The bill also includes an additional \$11 billion in tax-exempt mortgage revenue bond authority for the next two years.

The bill allows LIHTCs to reduce an investor tax liability under the alternative minimum tax, allowing these investors to benefit from the LIHTC. This is expected to increase the pool of LIHTC investors and, hopefully, cash going into the development of LIHTC projects.

Rental income to LIHTC-funded developments is also addressed by the bill. LIHTC rents are capped at 30% of 60% of area median income. But, HUD-determined area median incomes might go down or up significantly, potentially impacting rental income to the project and resident rents. The bill will protect rental income to a LIHTC property by not allowing area median income declines for LIHTC properties. This provision is intended to de-couple the determination of AMIs for the purposes of LIHTC properties from AMI determination for HUD programs.

The bill improves how Section 8 housing choice vouchers can be project-based into LIHTC and other properties. The bill increases the maximum initial Section 8 voucher contract term from 10 years to 15 years and allows PHAs to pre-commit to unlimited renewals of these project-based vouchers. The bill allows project-based voucher rents in LIHTC buildings up to the normally allowed maximum voucher rent, even if this rent exceeds the maximum rent allowed under the LIHTC program, and authorizes project-based vouchers in cooperatives and buildings with elevators.

Processing of new Section 202 supportive housing for the elderly capital grants, that also use other, non-HUD resources, would be delegated to state or local housing agencies. The bill also extends the time period for completing Shelter Plus Care projects that also have LIHTC financing.

The bill directs the HUD Secretary to implement administrative and procedural changes to expedite the approval process for, and environmental reviews of, projects that have both HUD and LIHTC assistance. The Rural Housing Secretary is also directed to take such actions in order to facilitate the timely approval of requests to transfer ownership or control, for the purposes of preservation, of multifamily projects in conjunction with LIHTCs.

Several provisions would also facilitate the use of LIHTCs with Federal Housing Administration-insured multifamily loans. The bill eliminates the need for subsidy layering reviews of FHA-financed projects that have gone through LIHTC subsidy layering reviews and permits HUD to rely on tax credit allocating agency compliance monitoring for the purpose of periodic inspections of FHA-insured multifamily properties. The bill also requires HUD to establish a pilot program for a streamlined review of FHA multifamily mortgage insurance loan approvals, through the appointment of a chief underwriter at FHA.

The bill also establishes a new data collection component to be implemented by state LIHTC allocating agencies. At least annually, these agencies must provide the HUD Secretary with data on the race, ethnicity, family composition, age, income, use of HUD rental assistance or similar assistance, disability status and monthly rental payments of households residing in each LIHTC property. The bill authorizes \$2.5 million for these efforts in FY09 and for \$900,000 for each of the subsequent four years.

The bill also includes provisions that should help the LIHTC serve lower income households. The bill will allow states to boost the value of LIHTC in properties by 30%. At their discretion, state LIHTC allocating agencies can boost allocations if necessary in order for the project to be financially feasible. And, the bill clarifies the treatment of federal grants. The eligible basis of a building shall not include any costs financed with the proceeds of a federally funded grant, according to the bill. So, federal grants like operating subsidies can go into a project without their value counting against the value of LIHTCs in the property, potentially allowing lower income people into the LIHTC units.

The bill repeals the prohibition on using tax-exempt housing bonds in Section 8 moderate rehabilitation properties and treats single room occupancy (SRO) units as residential units for purposes of participating in the LIHTC program. And, the bill repeals the "10-year rule" that holds that existing property is not eligible to be redeveloped with LIHTCs if it has been transferred within the previous ten year period.

The bill also excludes a military service member's basic allowance for housing for the purpose of determining eligibility for LIHTC units under certain limited circumstances for "qualified buildings." Qualified buildings are defined by the bill as being located in any county (or adjacent county) with a military installation that had an increase in service members by at least 20% as of June 1, 2008 when compared to December 31, 2005.