Resolution No. ___3

Date: May 12, 2006
City: Washington, D.C.

NAHB Resolution

Title:	Exceptions to Section 42 of the Internal Revenue Code to Develop Rental Housing for Disaster-Displaced Households
Original Sponsor:	NAHB Working Group on a Federal Housing Program for Disaster-Displaced Households

WHEREAS, Hurricanes Katrina, Rita and Wilma left a path of destruction along the Golf Coast extending from Texas to Florida;

WHEREAS, the death toll was over 1,000, more than one million people were displaced from their homes, hundreds of thousands of people were left homeless, thousands of businesses were crippled, and property damage is projected to be in the hundreds of billions of dollars, making these storms collectively the worst and costliest natural disasters in U.S. history;

WHEREAS, one of the most pressing problems is building or repairing affordable rental units serving low-income households;

WHEREAS, the most efficient financing tool available to develop affordable rental housing is the Low Income Housing Tax Credit (LIHTC) program;

WHEREAS, Congress has provided an additional allocation of $18 per capita (based on pre-Katrina populations) of LIHTCs to portions of the federally declared disaster areas in Louisiana, Mississippi and Alabama, as well as an additional $3.5 million in authority to Texas and Florida, to help with rebuilding in 2006, 2007 and 2008, and Congress is permitting all LIHTC developments in the affected areas to qualify as “Difficult to Develop Areas” (DDAs), which allows each development to qualify for a larger amount of tax credits;

WHEREAS, while this additional tax credit authority is critical to the successful rebuilding of affordable rental housing in the affected areas, revisions to existing law are also needed to allow prompt and effective replacement and rehabilitation of LIHTC housing in declared disaster areas;

WHEREAS, state housing finance agencies (HFAs) must allocate either a nine percent or four percent credit to each project, which typically results in a cumbersome and time-consuming process of obtaining additional subsidies from other sources to close the construction and operating cost gap;

Resolution No. ___3

Exceptions to Section 42 of the Internal Revenue Code to Develop Rental Housing for Disaster-Displaced Households – May 2006

WHEREAS, allocations of new tax credits are prohibited for existing LIHTC projects that have been placed in service during the last 10 years, eliminating the use of tax credits to substantially rehabilitate many properties that have been damaged by a disaster;

WHEREAS, unused tax credits may only be carried over for one year, which is insufficient time for communities that must grapple with debris removal, environmental clean-up and other pressing issues after a disaster; and

WHEREAS, sponsors who use federal assistance (grants or loans with interest rates less than the applicable federal rate) typically use the four percent tax credit; otherwise, they must reduce the eligible basis (which is used to calculate the amount of tax credits to be provided) proportionate to the federal assistance, which significantly reduces the amount of equity available to the project,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders urge Congress to implement the following statutory changes as exceptions to Section 42 of the Internal Revenue Code for Low Income Housing Tax Credit (LIHTC) projects located in the federally declared disaster areas:

1) Grant state housing finance agencies (or appropriate allocating agencies) the authority to set a higher tax credit percentage for each project, up to a maximum of 12 percent;
2) Waive the eligibility restriction on LIHTC properties in place less than 10 years so that those that were substantially damaged by the storms can obtain additional tax credits to make them habitable again;
3) Allow a special disaster tax credit allocation (such as provided for the Gulf Opportunity Zone in H.R. 4440) to be carried over for up to five years, based on the amount of additional authority being allocated; and
4) Allow the use of federal assistance with tax credits without reducing the eligible basis of the project.

Board of Directors Action:	**Approved**
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Taxation Subcommittee of the Federal Government Affairs Committee Action:	Recommends Approval
Multifamily Board of Trustees Action:	Recommends Approval
Housing Credit Group Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Multifamily Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval