

May 1, 2008

IHC INSIDER

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Please join IHC for a legislative reception in Springfield on May 21 at the Sangamo Club located at 227 East Adams Street

Federal Housing News

Developments Suffer with Losses in Housing and Credit

Affordable Housing developments across the country are being delayed or canceled because some of the nation's largest financial institutions, including Fannie Mae, Freddie Mac and Bank of America, have scaled back their participation in the federal government's affordable housing tax credit program. The simple reason for this scale back is that these financial giants have found themselves without the profits that need shielding from taxes due

to losses in the housing and credit markets. Therefore, they do not need tax credits to offset their corporate tax liability as they had in the past. The housing crisis in the United States is well documented but less publicized is the drop in the price of tax credits. The price of credits has dropped from 95 cents per dollar to as low as 79 cents per dollar. Fannie Mae and Freddie Mac were the largest investors in the credits, claiming up to 40% of the credits. According to the February 27th company

filing, Fannie Mae had \$8.1 billion of unused credits. When companies pulled back from the market last year, the moves sent prices tumbling and created a situation where some developments are having trouble attracting investors at all. The only way to fill the gap is to try to find other sources. Affordable housing developers are forced to look for grants from local governments or private foundations or try to qualify for separate federal rent subsidy programs.



Federal Legislation to Watch

On April 9th of this month, the House Ways and Means Committee passed the Housing Assistance Tax Act of 2008. This legislation contains many of the reforms our industry has been seeking to improve the LIHTC. Some of the provisions of the House bill are:

- LIHTC can be used to offset Alternative Minimum Tax
- Tax exempt bonds can be used to offset AMT
- Temporary increase in tax credits to each state (and the City of Chicago) in the

amount of \$0.20 per capita.

- Repeal of prohibition on using LIHTC with buildings that received Section 8 Moderate Rehab funds
- Repeal of prohibition on using 9% credits with below-market rate loans
- Some operating subsidies and IRPs would not be considered federal grants requiring reduction in basis.

People with close ties to the

legislation predict that this bill will be tied to Rep. Barney Frank's bill which deals with foreclosure issues and reconciled with a Senate bill dealing with the same issues in conference committee. The hope is, following the long messy business that is making a law, our industry will come out on top with some reforms and changes that will help us improve the business, even in tough economic times.

IHC News

Annual Meeting a Great Success

In February, the Illinois Housing Council held its annual meeting at the Embassy Suites Hotel in Chicago, Illinois. The meeting was sponsored by a record number of businesses and featured panels such as the, "Investor Panel," which highlighted a discussion of the low income tax credit equity markets and panelists thoughts on pricing for LIHTCs. There was also a "Mortgage

Financing Roundtable" panel, which featured the biggest players in the affordable housing arena on the subject of mortgage financing. The annual meeting included panels on "Soft Sources of Financing," "Interesting Case Studies" and "Federal Legislation." IHC members and guests spent the day listening and questioning the assembled panels of industry experts

learning from their expertise and hopefully leaving the meeting with a better understanding of the challenges the affordable housing industry faces and with some solutions to ease the impact of tough economic times. The Illinois Housing Council would like to thank all of the businesses who contributed to sponsoring the event and the panelists.

Inaugural Networking Breakfast for IHC

In mid-April, IHC hosted its inaugural networking breakfast at Eleven City Diner in Chicago, Illinois. There were approximately 30 members and guests present for the breakfast. Attendees heard from Bill Skalitzky of Applegate & Thorne-Thomsen on an issue he has been negotiating with the Illinois Department of Revenue concerning property tax exemptions, specifically

with non-profit developers. Bill has been working hard on this issue for months and was kind enough to educate IHC on his discussions. Nick Brunick, also of Applegate & Thorne-Thomsen, updated breakfast attendees on federal legislation that is currently pending in Congress that would greatly affect the affordable housing industry (please see the IHC website for more information) and

Amy Wagner of the Illinois Housing Council updated breakfast attendees regarding the State's capital projects plan and the industry's progress in getting affordable housing into that plan. The Illinois Housing Council will continue to host networking breakfasts because of the positive turn out and response. The next breakfast will be in July.

IHC Golf Outing

September 15, 2008 will be the inaugural golf outing for IHC members and guests. A committee of IHC members has chosen the Seven Bridges Golf Club for the location. The event will start at 12:30, with a “shot gun” start, allowing each “foursome” to begin play at an assigned hole. There will be a box

lunch provided. There will also be a dinner and cocktail hour following the games. We look forward to this event and believe it will be a great opportunity to socialize with colleagues in the industry. Be on the look out for more information regarding this event!



State Legislative News

Capital Projects Bill Update

The impact the economic climate on the affordable housing industry is on the mind of all IHC members and friends these days. That's why IHC has been working so diligently to ensure an additional source of funding for affordable housing in the state. There must be capital money allocated for affordable housing in any capital projects plan that is developed in Springfield. Since the last newsletter in January, the Governor has presented his capital projects plan to the General Assembly and for the first time ever affordable housing was mentioned in the plan and a dollar amount of approximately \$125 million over two years was

dedicated. The Governor has formed a coalition of interested groups who are pushing for a capital plan called, “Illinois Works” coalition. This group is chaired by Southern Illinois University President Glen Poshard and Former Speaker of the House Dennis Hastert. The coalition has held several meetings thus far in Springfield and word is that affordable housing has been discussed as a potential addition to a capital projects plan. While this is a great accomplishment for our industry, it is not time to rest in our laurels and hope that affordable housing stays in the discussions. Now more than ever we must continue to contact our elected

officials in Springfield and ask them to include affordable housing in the capital bill. IHC will be putting a sample letter and talking points on its website for members to use in these efforts. Please contact Amy at awagner@ilhousing.org or Nick Brunick at nbrunick@att-law.com with any questions or for assistance.

