



December 22, 2008

The Honorable Diane Feinstein
331 Hard Senate Office Building
Washington, D.C. 20510

Re: Stimulus Proposals for Low Income Housing

Dear Senator Feinstein:

The California Housing Consortium supports reforms aimed at restoring demand for Low Income Housing Tax Credits (Housing Credit) and other measures to stimulate investment needed now to produce and preserve rental housing.

The California Housing Consortium is the statewide 'big tent' housing advocacy organization representing the development, building, financial, and public sectors united in a non-partisan effort to advance affordable housing and community development across California. CHC's mission is to collaborate among housing providers, business leaders, non-profit organizations, and government at all levels to increase the availability of rental and homeownership housing for low-to-moderate income Californians. Our policy efforts are focused on sustaining catalytic public sector funding, promoting regulatory reform, and encouraging sensible land use planning.

One consequence of the subprime mortgage crises is that the need and demand for rental housing is increasing and is likely to continue to increase in the coming years. With credit tightening, many people will not be able to find or afford home mortgages and others will simply determine that homeownership is not the right housing option for them.

We very much appreciate that Congress earlier this year in July passed legislation (Housing and Economic Recovery Act of 2008--HERA) which contained some important and helpful provisions pertaining to the Low Income Housing Tax Credit (Housing Credit) and other rental housing programs. We believe that over time these provisions, including making the credits applicable to offset Alternative Minimum Tax (AMT) liability, will prove to be very useful but the improvements contained in HERA standing

alone are not sufficient to stimulate the investment needed now to produce and preserve rental housing. The following are our proposals, which we hope you will consider:

1. Provide a special allocation of \$10 billion of direct subsidy to be used exclusively by housing credit agencies to provide gap financing necessary for financial feasibility for properties receiving Housing Credit reservations or allocations (including bond financed properties). Such funding could be a new program administered by Treasury through the state credit allocating agencies, or allocated to HOME funding. We seek the source of capital that will provide the fastest infusion of funds in order to get affordable rental homes built and construction jobs saved.
2. Taxpayers should be permitted to carryback the Housing Credit for up to five years and these Housing Credits should be used to offset AMT liability during that period.
3. Congress should allow additional Housing Credits to be claimed in the first year of the Housing Credit period.
4. Fix the 30% present value Housing Credit at 4%.
5. The Housing Credit should be made a refundable credit.
6. \$5 billion for public housing preservation and revitalization jobs as identified in HUD-approved 5-year capital plans distributed using the existing formula for public housing capital.
8. Require the Government Sponsored Entities (GSEs) purchase the bond issuances of the State Housing Finance Agencies.
9. Do not allow Fannie Mae and Freddie Mac to dispose of their current Housing Credit portfolios on a “fire-sale” basis because this will further exacerbate the current crises in the Housing Credit market.

We hope that you’ll carefully consider the above proposals. If you have any questions or concerns, please do not hesitate to call me. Thank you for your consideration.

Sincerely,

Daniel B. Lopez
Interim Executive Director
California Housing Consortium

Cc: California Congressional delegation