



Tennessee Housing Development Agency

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Bill Haslam
Governor

Ralph M. Perrey
Executive Director

November 20, 2015

Kelsie Jones, Executive Secretary of the
Tennessee State Board of Equalization
9th Floor, W.R. Snodgrass TN Tower
312 Rosa L. Parks Avenue
Nashville, TN 37243-1102

Mr. Kelsie Jones,

The Tennessee Housing Development Agency (THDA) administers the Low Income Housing Tax Credit (LIHTC) program on behalf of the State of Tennessee. The LIHTC, started during the Reagan administration, is the only federal housing program that provides a true financial incentive for the private sector to develop qualify, affordable rental housing for low-income households. Prior to the creation of the LIHTC program the federal government was responsible for building, managing, and maintaining affordable housing developments.

THDA has concerns about using the ad valorem method to appraise properties developed through the LIHTC program, which ultimately has the effect of 'Taxing a Tax Credit.' This approach diminishes the value and impact of the program and creates financial difficulties for existing properties that threaten their long-term sustainability.

Although still opposed to using the ad valorem method to appraise LIHTC developments, THDA appreciates the Board of Equalization's effort to address this issue and improve predictability for both LIHTC developers and local governments.

Regarding the proposed rule, THDA requests the proposed 10-year taxation period on the incentive be extended to a minimum of 15 year for several reasons:

- Aligns with the minimum 15-year compliance period required for all LIHTC developments. An overwhelming majority of LIHTC developments typically agree to longer compliance periods of between 20-30 years.
- The IRS is authorized to recapture Tax Credits during years 11-15 of a restricted-use agreement even though the full benefit of the Tax Credit is exhausted during the first 10 years.
- Limits the financial impact on LIHTC properties during their first years in operation while still generating the same amount of total property tax revenue.

We appreciate the opportunity to comment on the proposed rule and can provide additional information if needed.

Sincerely,


Ralph M. Perrey,
Executive Director