February 10, 2017

Internal Revenue Service
Attn: CC:PA:LPD:PR (Notice 2016-77)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

RE: Notice 2016-77, Satisfying the Required Qualified Allocation Plan Preference in Section 42 (m)(1)(B)(ii)(III) (Concerning Concerted Community Revitalization Plans)

To Whom It May Concern:

The National Council of State Housing Agencies (NCSHA) appreciates the opportunity to provide our perspectives on the Department of the Treasury and Internal Revenue Service’s (IRS) request for comments in Notice 2016-77 regarding whether Treasury and IRS should issue guidance clarifying the preference in §42(m)(1)(B)(ii)(III) of the Internal Revenue Code. We strongly urge Treasury and IRS to continue to provide state allocating agencies the flexibility to determine how best to define concerted community revitalization plans in their states for purposes of giving preference to properties located in a Qualified Census Tract (QCT) that contributes to such a plan. The determination of a definition or criteria for concerted community revitalization plan is appropriately made at the state level.

NCSHA represents the nation’s state Low Income Housing Tax Credit (Housing Credit) allocating agencies, as well as the allocating agencies of the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and Northern Marianas Islands. NCSHA and our allocating agency members deeply value our longstanding partnership with Treasury and IRS in the administration of the Housing Credit program.

Congress wisely and with great foresight designed the Housing Credit to achieve a limited but important and appropriate set of federally established, public-purpose goals and imperatives. It left to the states how to utilize their resources within these broad parameters to respond most effectively to their unique affordable housing needs. Since the program was created 30 years ago, Treasury and IRS have typically provided states with appropriate guidance that gives them sufficient flexibility to design their own, unique programs and modify those programs as necessary to respond to changing needs and priorities within the state.

The statutory preference for projects located in a QCT that contribute to a concerted community revitalization plan is a good example of a federally established imperative to which
the state allocating agencies have adhered without the need for greater federal intervention. This preference was first established 17 years ago in the Community Renewal Tax Relief Act of 2000. Since that time, states have worked with local communities and stakeholders to determine how best to qualify local plans as concerted community revitalization plans. In fact, nearly all allocating agencies describe their criteria for or definition of concerted community revitalization plan in their Qualified Allocation Plan (QAP) or other related documents, and update them as needed. They have done so with no need for further guidance from Treasury and IRS.

It is inappropriate for Treasury and IRS to establish a one-size-fits-all federal definition of concerted community revitalization plan. We fear that such a definition would be overly prescriptive, difficult to modify should that be necessary, and needlessly burdensome at a time when the Administration is seeking to reduce, not add to, federal regulatory constraints. Moreover, we believe that the state response to the statutory preference indicates that such a federal definition is not needed to meet congressional intent.

IRS Notice 2016-77 indicates that some states may have given preference to projects that are located in QCTs without regard to whether the projects contribute to a concerted community revitalization plan. NCSHA is unaware of such incidences. If such a problem exists, we certainly do not believe it to be widespread based on our ongoing conversations with our membership. Moreover, it is possible that a state could award Credits to a project located in a QCT absent a concerted community revitalization plan, even if the state did not give preference to that project.

The most appropriate way to address this issue is for NCSHA to continue working with states to identify criteria they may wish to consider when adopting their own policies related to concerted community revitalization plans. NCSHA has recently embarked on an effort to update and add to our existing Recommended Practices in Housing Credit Administration, and we anticipate considering this issue as part of that initiative. We intend to seek comment from Housing Credit stakeholder groups, including Fair Housing and Civil Rights groups, on those Recommended Practices, and we hope they will contribute to this effort.

Thank you for this opportunity to provide comments to you in regards to whether Treasury and IRS should issue guidance defining concerted community revitalization plans. Please do not hesitate to contact me with any questions.

Sincerely,

Barbara Thompson
Executive Director