

## Fourth Quarter 2000



### Tax Credit, Bond Caps Increased

Congress gave a holiday gift to affordable housing by passing H.R. 4577, which increases credit and bond caps, before adjourning for the year. The bill, expected to be signed into law by President Clinton, provides for increases in credit and bond caps beginning January 2001. During the first year credit caps would increase to \$1.50 with another increase to \$1.75 in January 2002. Bonds will also enjoy an increase in 2001 to \$62.50 per capita, followed by a jump to \$75 per capita in 2002. Both credit and bond caps will be indexed for inflation thereafter. Small states will benefit from new floors. States will receive a minimum of \$2 million in credits annually and \$187.5 million in bonds starting 2001. Bonds will increase again to \$225 million in 2002.

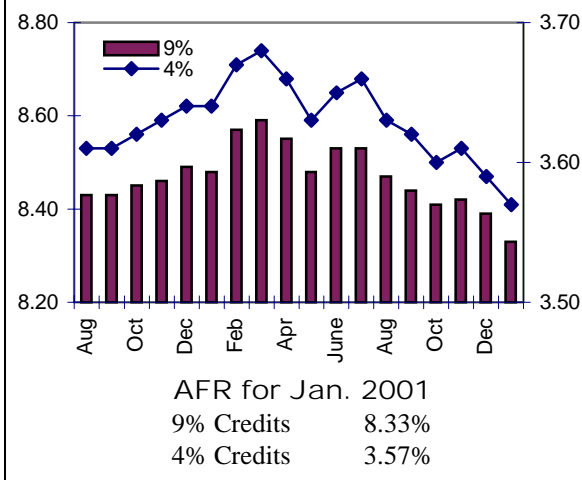
The bill also influences how tax credits are used. States must give preference to projects which contribute to a community revitalization plan and are in a qualified census tract. New tests will qualify rural areas for larger credit amounts. Credit cap amounts have remained motionless since 1986 although demand has steadily increased. Washington sources had previously feared that passage of a credit cap increase was tenuous on the grounds that some Senate Republicans would want to wait for more favorable terms under the administration of a Republican President. Strong bipartisan support, however, prevailed and prevented another year-long wait.

### Affordable Housing TAMs Released

The IRS recently issued five Technical Advice Memoranda (TAM) that has a substantial impact on how to determine eligible basis. The TAMs address five key areas: land preparation costs, impact fees, construction loan costs, bond issuance costs, and development fees.

As an example construction loan costs include costs which relate to the land, building, and land improvements. Those costs associated with land and the land improvements are not includable in eligible basis, but other costs associated with the building may

### 18-Month Trailing AFR



be included. The applicant must consider the entire property and use a reasonable method to allocate which amortized costs can and cannot be included in eligible basis. The TAM restrictions also affect the development fee. For example, if the developer provides services relating to land preparation, negotiating impact fees, obtaining construction financing or bond financing, then the portion of the developer fee paid for those services must be reduced from eligible basis.

For further information on how to proceed with your development in light of these TAMs, please call WNC or your tax consultant. For a copy of the TAMs, go to our website at [www.wncinc.com/tams.htm](http://www.wncinc.com/tams.htm).

### WNC Closes 58<sup>th</sup> and 59<sup>th</sup> Tax Credit Funds

With the changing of the seasons, so came the close of another institutional and a public fund for WNC representing \$42 million in equity. WNC Institutional Fund Tax Credit IX closed shortly after Funds X and XII (see third quarter newsletter). This fund is a national fund with 14 properties specified in nine states, including California, Minnesota, Montana, Nevada, North Carolina, Oklahoma, South Carolina, Virginia and Wisconsin.

The second fund, WNC Housing Tax Credit Fund VI, L.P., Series 7, was tailored for individual investors. Fund VI, Series 7 has investments in eight properties nationwide, including communities in Arkansas, Iowa, Maryland, Minnesota, Oklahoma and Mississippi. In keeping with WNC's high repeat developer ratio, 90% of the properties acquired are with developers that WNC has worked with on previous projects.

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