

WNC C.r.e.d.i.t FACTS

Leadership
Innovation
Flexibility
Experience



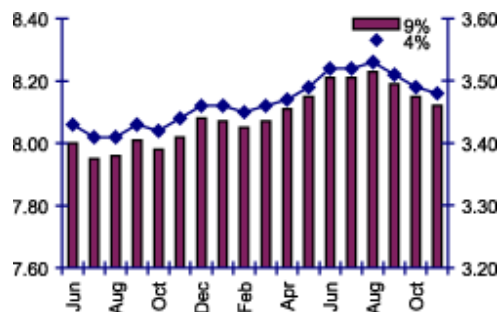
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November 2006

Year of Growth for WNC Company Tops Previous Benchmarks

Substantial growth marked WNCs 2006 fiscal year end. New records and benchmarks were set in many areas,...

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9% Credits	8.12%
4% Credits	3.48%

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The Harvard Joint Center for Housing's State of the Nation

report may be downloaded at

<http://www.jchs.harvard.edu/publications/markets/son2006/index.htm>.

WNC Acquires Nearly \$170 Million in New York Properties

Fourteen newly acquired properties in the state of New York will exoabd WNC's \$3 billion portfolio...

[Read more...](#)

Revised HUD Difficult to Develop Areas (DDAs)

may be now obtained from their website at

<http://www.huduser.org/DATASETS/qct.html>.

Acquisition-Rehab: Combining LIHTC with an Existing HUD Program

Many developers are participating in the preservation of existing housing stock by acquiring properties with a HUD program...

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Keep up-to-date with compliance issues Download the [WNC Compliance Manual](#). Also included are WNC reporting requirements and sample forms.



Legislation has been introduced which, if passed, would exclude K-12 students from the full-time student household definition. Watch the Thomas website for further updates of [S. 3941](#).

Recently signed [H.R. 5117](#) permits disabled college students to receive rental assistance.

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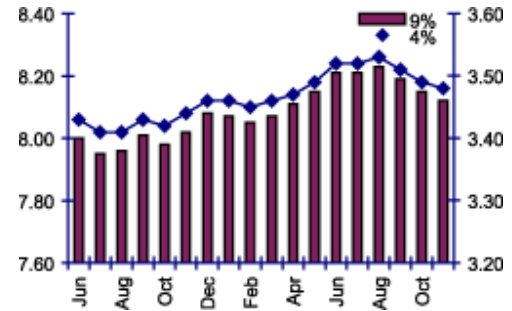
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November 2006

Year of Growth for WNC Company Tops Previous Benchmarks

Substantial growth marked WNC's 2006 fiscal year end. New records and benchmarks were set in many areas, including: revenues as compared to last fiscal year, capital raised (represented by four fund closings), property closings, development project closings, assets under management, units under property management and NMTC funding awarded. "Each year, for multiple years, WNC's staff has continued to break the performance record set the previous year," remarked WNC President and CEO Will Cooper, Jr. "I believe our success this last year was possible due to our strong developer and investor relationships and one other key reason – our corporate ability to work as a team. Individual and departmental success will always be important for WNC to do well. However, how well each of us work together as a team will define how far we go in the future," noted Cooper during the company's annual State of WNC meeting.

During WNC's Originations Fiscal Year End 2006 celebration and planning meeting two employees were also honored. Originator Darryl Seavey, Vice President – Northeast Region, received the Chairman's Award for his project-producing efforts in the New York area (please see following article). Director of Syndications Brad Hurlbut also received the Extra Mile Award for his exceptional teamwork.



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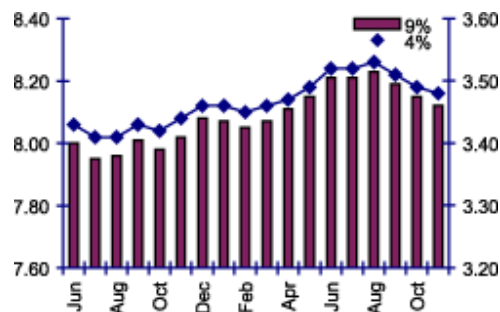
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WNC Acquires \$170 Million in New York Properties

Fourteen newly acquired properties in the state of New York will expand WNC's \$3 billion property portfolio. The properties represent a mix of family and senior developments from across the state with many located in the New York City area. WNC's New York portfolio has steadily grown to over 50 properties and includes Kent Affordable Housing, a 140-unit waterfront complex which is represents of the nation's largest federal tax credit awards of \$41 million. The newly acquired properties will boost the value of WNC's New York portfolio by nearly \$170 million, bringing the total New York area portfolio cost to over \$700 million.

What has enabled WNC to amass properties in a single state? "Good developer relationships," says WNC Executive Vice President Michael Gaber. "In the New York market area, for instance, we have a developer relationship which has lasted over eight years from the beginning of our New York market entry. Through this developer alone we have accumulated 14 properties with \$200 million in portfolio cost." Gaber continues, "We have also not shied away from difficult projects," referring to WNC's undertaking of projects which have included Brownfield credits and unusual construction issues such as building over a subway. "The New York state credit funds have been some of our more popular products; WNC always works hard to make deals work and find new relationships," noted Gaber.



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Kent Affordable Housing, a 140-unit development in Brooklyn, NY, highlights WNC's New York portfolio.

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Acquisition-Rehab: Combining LIHTC with an Existing HUD Program

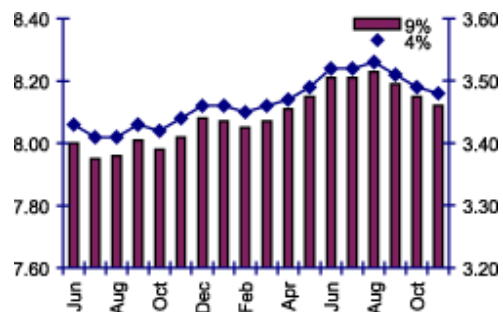
By Kristin Han, WNC Director of Compliance

Section 42 of the Internal Revenue Code provides a tax incentive for construction of new buildings to either create new residential rental housing or acquire existing buildings and rehabilitate the buildings for use as residential rental housing in order to preserve the existing affordable housing stock. Many developers are participating in the preservation of existing housing stock by acquiring properties with a HUD program that is already in place and combining it with LIHTC. Developers should be aware, however, that HUD-tenant status does not necessarily bring with it additional Public Housing Authority (PHA) subsidies or income limit qualification.

We all know that IRC §42 allows us to take from the local PHA additional subsidy rent in excess of the tax credit maximum allowable rent. However, the PHAs are now denying additional subsidy to LIHTC properties in excess of the tax credit maximum allowable rent. It appears that the state housing agencies may even restrict the property from receiving the additional subsidy, and the contract rent for HAP contracts may be capped at the tax credit maximum allowable rent if the fair market rent is higher than the maximum tax credit allowable rent. Under IRC §42, if the fair market rent for the area is lower than the maximum tax credit allowable rent, the owner is not obligated to accept Section 8 tenants and may require HUD to increase the rent.

Acquisition and rehabilitation alone can pose a variety of challenges for owners and managing agents, but coping with acquisition-rehabilitation of the property with multi-layered programs intensifies the challenges during the initial qualification period from the compliance standpoint. Often developers have the misconception that HUD tenants inevitably would qualify for tax credits simply because, "They're HUD tenants". Depending on the stipulations of the existing contract, the HUD program income limitations may be as high as 80% of the AMI—which exceeds the LIHTC program maximum of 60% of AMI.

Additionally, as long as the household initially qualified for the HUD program, even if their income later exceeds the maximum income limit, HUD will allow the household to continue their residency as market rate tenants. No HUD tenants can be displaced or evicted without "good cause"—such as non-payment of rent, violation of lease provisions regarding the use of illegal drugs, activities interfering with the rights of



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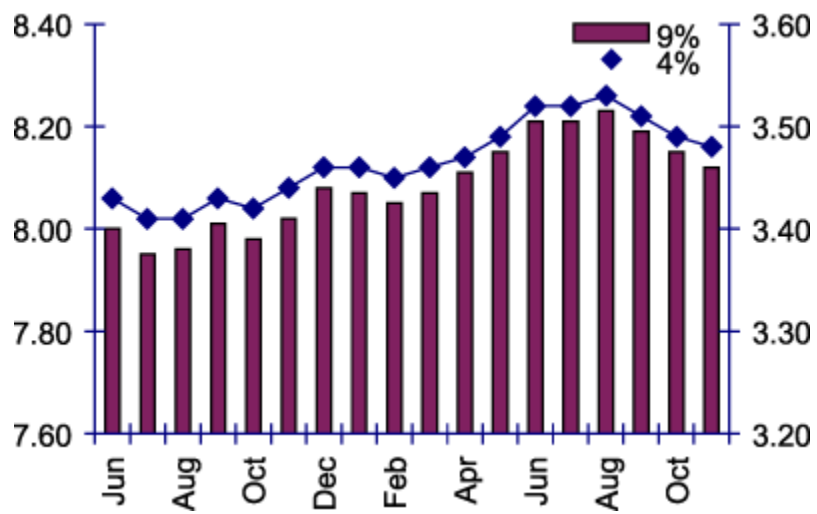
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other tenants or a tenant who is a felon fleeing prosecution or probation/parole violator. With respect to HUD tenants, exceeding LIHTC eligibility requirements is not deemed a justifiable "good cause" for eviction.

When acquiring existing HUD properties, before committing to provide 100% of the units as low-income units, developers should conduct a pre-acquisition evaluation of current household's annual gross income to ensure the feasibility of the LIHTC program with the existing HUD tenants.

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18-Month Trailing AFR



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