February 10, 2017

Internal Revenue Service
Attn: CC:PA:LPD:PR (Notice 2016-77)
Mr. James Rider
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)

Dear Mr. Rider:

The Local Initiatives Support Corporation (LISC) is pleased to provide comments on the possible guidance described in Notice 2016-77 (Notice). LISC strongly supports the Section 42 preference for concerted community revitalization plans (CCRP), and appreciates the IRS seeking input before issuing any clarification of its meaning.

Established in 1979, LISC is a national non-profit housing and community development organization that is dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments; as well as technical and management assistance.

LISC has a nationwide footprint, with local offices in 31 cities and partnerships with 75 different organizations serving rural communities throughout the country. LISC invests approximately $1 billion each year in these communities through various programs, including the low-income housing tax credit (LIHTC). Our work covers a wide range of activities, including housing, economic development, building family wealth and incomes, education, and creating healthy communities.

With the above as context, we offer the following comments with respect to the Notice.

The Notice should be clear that the subject property must be part of a Concerted Community Revitalization Plan.

While one would think this may go without saying based upon the plain language of the statute, it is very important that guidance reaffirm that the preference is not just for projects located in qualified census tracts (QCTs), but for projects in QCTs that are also part of a CCRP. There are reasons to encourage the location of projects in qualified census tracts. In addition to the need for affordable housing in such areas, LIHTC projects often benefit the surrounding neighborhood by serving as a catalyst for additional investment. However, these considerations alone are not enough to meet the statutory expectation.

Fortunately, the vast majority of qualified allocation plans (QAPs) already require specific plans in order for a project to receive the CCRP preference. For example, according to a recent review, 17 states look for additional financial contributions for the project, 15 expect other activity in the surrounding area, and 13 specify the time period when the plan has to be in effect.[1] As discussed further below, we believe that some of these serve as good proxies for the presences of a CCRP.

The Notice should clarify that it is the role of the Housing Finance Agency to define the components of a CCRP and to verify that the criteria are being met with respect to any individual property.

The question of what additional components are required in a QAP should be left to each allocating agency; any federal minimum runs the risk of being over or under inclusive of what makes sense. There is simply too much diversity in relevant factors, including legal authority and resources available. Indeed, there is even variation at the state level based on considerations such as urban or rural jurisdictions.

The housing finance agency ("HFA") should not only provide definitional components, but should also ensure that these components are in fact present if a CCRP preference is being sought for a particular project. By providing a clear definition prior to an application round, and verifying that the standards have been met, the HFA will ensure that the project is deserving of the priority.

The Notice should offer guidance to HFAs with respect to potential components of a CCRP.

Notwithstanding the above, some federal guidance on CCRPs may prove helpful as a resource for HFAs. In this context, LISC would recommend that agencies should consider the extent to which CCRPs:

- Are comprehensive in their scope. They should not only address the housing needs of the community, but also address access to one or more of the following: jobs, transportation, commercial amenities, child care or healthcare centers, educational facilities, and safe, open spaces;

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[1] Shelburne, Mark. "An Evaluation of Community Revitalization Plan Provisions in QAPs," *Novogradac Journal of Tax Credits*, (June 2016)

- Solicit input and address concerns from community residents and other stakeholders, including units of local government, civic and community organizations, anchor institutions, schools, and retail establishments;

- Provide a reasonable timeline for implementation; and

- Address displacement and encourage economic diversity.

In addition, LISC would recommend that HFAs also provide a list of federal, state or local programs (e.g., Choice Neighborhoods; Promise Zones) under which the project will automatically be deemed to be a part of a CCRP if it is funded through such an initiative.

We thank your for this opportunity to comment.

Sincerely,

Matt Josephs
Senior Vice President for Policy