

SPECTRUM ENTERPRISES, INC.

NCAHMA

October 2010



Spectrum Companies

- Two companies
 - Spectrum Seminars www.spectrumseminars.com
 - Spectrum Enterprises www.spectrumlihtc.com
 - 18 employees in five locations
 - Trained in LIHTC compliance, Fair Housing, ADA, Physical inspections
 - Employees have from 2-23 years LIHTC experience
 - Authorized Delegate in MA, MD, CT, WV, WY, USVI, HI, NH (portion)
which means that we essentially are the face of the state agency.
 - Review files
 - Inspect properties
 - Issue reports to the owners
 - Create IRS 8823 forms for the state agency to sign and submit





Staff Training

- One mistake can be a \$100,000 problem
 - IRS program with strict regulations
- Annual
 - Two-day LIHTC compliance training
 - One-day Fair Housing / ADA
 - Two-day Rural Development compliance
 - Various in-house





Staff Training

- Bi-annually
 - Two day physical inspection training (UPCS)



Management Company Services

- On-site assistance during rent-up period
- Pre-approval of tenant files prior to execution of the lease
- Compliance consulting



Owner / Investor Services

- 100% file reviews
 - Acquisition / rehab of HUD project
 - Selling or buying a LIHTC portfolio
 - Can be done by scanning files and sending us a CD

- Site inspections
 - Can be used to provide a great deal of information to the investor.
 - Various reports
 - Pictures
 - Other documents



Site Inspections

- Review of a certain percentage of tenant file
- Review and analyze regulatory agreements
 - Correct number of units?
 - Correct amenities?
 - Correct rent levels and MSA?
- Eyes and ears
 - Talk to tenants and employees
 - Market observations
 - High vacancies
 - Saturated market
 - Poor maintenance
 - High rents
 - Poor amenities



Site Inspections

- Physical inspection
 - Inspection is typically more rigorous than IRS mandated requirements
 - Write up all problems including Uniform Physical Condition Standards (UPCS) plus non-UPCS violations such as:
 - Missing light globe
 - Dirty walls
 - Missing screen
 - Generally used by IRS
 - Units
 - Exteriors
 - Systems
 - Common areas
 - Site





Problems Related to Physical Issues

- Poor occupancy
- Minor issues quickly become major issues
 - Graffiti
 - Maintenance
 - Bad tenants
- Liability
- IRS 8823
 - Loss of credit
 - Recapture
 - Interest and penalties



Common Findings

- Missing sink stoppers
- Inoperable smoke detectors
- Inoperable emergency systems-lights and exit signs
- Egress
- Roaches
- Trip hazards

- IRS mandates that all violations must be reported via form 8823
 - Corrected
 - Uncorrected



**Internal Revenue Service
Small Business and Self-Employed**

Department of the Treasury

Date: [REDACTED] 2010

Refer To:
2006 Examination Report

Name of Partnership: [REDACTED], L.P.

Partnership Identifying Number:
[REDACTED]

Tax Year Ended:
December 31, 2006

Person to Contact:
[REDACTED]

Employee Identification Number:
[REDACTED]

Contact Hours:
7:00AM - 3:30PM

Contact Telephone Number:
(May not be a toll-free number)
[REDACTED]

[REDACTED], L.P.
PO Box: [REDACTED]
[REDACTED]

Dear Tax Matters Partner,

We have enclosed a copy of our summary report on the examination of the above named partnership for you in your capacity as Tax Matters Partner (TMP). The report explains all proposed adjustments including facts, law and conclusion.

You and the examining agent are to agree on the date, time, and place for the closing conference, which will be scheduled no less than 30 days from the date of this letter. All proposed adjustments in the summary report will be discussed at the closing conference. You should confirm the time and date with the examining agent within 7 days from the date of this letter.

You must send a copy of the summary report to each partner, with the following additional information:

- Date, time and place of closing conference,
- Date the partner must notify you if he or she plans to attend the conference, and
- Date the partner must provide you with valid power-of-attorney forms if he or she plans to have representatives attend.

You are not required to send this material to partners who are members of a notice group if you send the material to the representative of the group.

At least 10 days before the conference date, you are required to notify the IRS of the number of partners planning to attend the conference and submit valid power-of-attorney forms from partners planning to have representatives attend.

RECEIVED

[REDACTED] 2010
[REDACTED]

Letter 1807 (Rev. 6-2009)
Catalog Number 61142T

Taxpayer Name: [REDACTED] L.P. Examiner: [REDACTED]
 TIN: [REDACTED]
 Tax Form: 1065 Date: [REDACTED] 2010
 Tax Year (s): 200612

Section 42(j) - Recapture of Prior Year Credit

Building #	Allocated	Applicable	Recapture
	LIRC Per 8609		
[REDACTED]	9,210	0.333	3,067
[REDACTED]	9,210	0.333	3,067
[REDACTED]	11,526	0.333	3,838
[REDACTED]	11,526	0.333	3,838
[REDACTED]	9,210	0.333	3,067
[REDACTED]	9,210	0.333	3,067
[REDACTED]	9,210	0.333	3,067
[REDACTED]	11,526	0.333	3,838
[REDACTED]	11,526	0.333	3,838
[REDACTED]	9,209	0.333	3,067
[REDACTED]	9,209	0.333	3,067
[REDACTED]	9,209	0.333	3,067
[REDACTED]	7,478	0.333	2,490
[REDACTED]	7,478	0.333	2,490
[REDACTED]	9,209	0.333	3,067
	<u>143,946</u>		<u>47,934</u>

The interest portion of the recapture amount under IRC section 42(j)(2)(B) is \$98,801.56, computed as follows:

Credit Year	Interest Computation Period	Credit Recapture Amount	Recapture Interest	Total Recapture Amount
1999	April 15, 2000 - April 15, 2007	\$47,934.00	\$27,384.69	\$75,318.69
2000	April 15, 2001 - April 15, 2007	\$47,934.00	\$20,942.36	\$68,876.36
2001	April 15, 2002 - April 15, 2007	\$47,934.00	\$18,340.70	\$66,274.70
2002	April 15, 2003 - April 15, 2007	\$47,934.00	\$12,769.62	\$60,703.62
2003	April 15, 2004 - April 15, 2007	\$47,934.00	\$10,094.90	\$58,028.90
2004	April 15, 2005 - April 15, 2007	\$47,934.00	\$7,386.63	\$55,320.63
2005	April 15, 2006 - April 15, 2007	\$47,934.00	\$3,882.65	\$51,816.65
Total		\$335,538.00	\$98,801.56	\$434,339.56

The total recapture amount is \$434,339.56.

Taxpayer Position: (If applicable)



Avoiding Physical Issues

- Management should set high expectations
- Adequate maintenance program
 - Initial walk through prior to lease signing
 - One-week inspection
 - One month inspection
 - Six month inspection
 - Anniversary date inspection



Avoiding loss of credits and cash

- Proper oversight of the whole picture
 - Financial
 - Site visits