

# Withdrawal/Redaction Marker

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Jonathan Orzag to SCHOLZK%DOM13.DOPO7. Subject: Some Stuff. [partial] (1 page)	03/30/1998	b(6)

### COLLECTION:

Clinton Presidential Records  
Automated Records Management System [Email]  
OPD ([Quality Housing or LIHTC])  
OA/Box Number: 250000

### FOLDER TITLE:

[12/03/1997 - 03/30/1998]

2014-0224-F  
ab1492

### RESTRICTION CODES

#### Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

#### Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 3-DEC-1997 12:49:31.00

SUBJECT: Update on Low-Income Housing Tax Credit

TO: Bruce N. Reed ( CN=Bruce N. Reed/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Jose Cerda III ( CN=Jose Cerda III/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Elena Kagan ( CN=Elena Kagan/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
12/03/97 12:48 PM -----

Jonathan Orszag  
12/03/97 12:32:00 PM  
Record Type: Record

To:  
cc: Paul J. Weinstein Jr.  
Subject: Update on Low-Income Housing Tax Credit

Message Creation Date was at 3-DEC-1997 12:32:00

Paul Weinstein and I have been working to get an expansion of the low-income housing tax credit back in play for the budget. And it seems as though we've been somewhat successful. Treasury is working on the options and we think we may have found the funding for it.

Here's the deal on the funding for the expanded credit.

FHA reforms we included in last year's budget -- specifically, lifting the loan limit -- raise \$220 million per year or \$1.1 billion over five years. These savings are on the mandatory side.

OMB needs \$150 million per year of this money to pay for the mandatory EZ/EC program.

The other \$70 million per year -- \$350 million over five years -- could be used for the low-income housing credit expansion.

Here's the deal on the credit proposal:

The argument for the expansion is essentially as follows: the cost to build low-income housing has increased over the last four years, but the program has not grown with the cost. Four years ago, the number of requests for the LIHTC versus the number of allocations was 2 to 1. Today, this ratio is 3 to 1.

Some form of a low-income housing credit expansion will probably happen this year. Senator D'Amato has a bill to do this -- costing \$1.5 to \$2.0 billion over five years. (It raises the credit from \$1.25 to \$1.75 in one step and then locks the credit level into the rate of inflation.) As you are probably aware, LISC is lobbying hard for this increase.

As you know, the Administration is seen as the champion of the LIHTC because we permanently extended it in 1993. If Congress increases it this year, without a push from us, we could lose ownership of this proposal. Therefore, Paul and I believe it is important for us to have some kind of expansion of the LIHTC -- even if the expansion is small. Karl Scholz generally agrees with this assessment of the landscape.

The cost of a LIHTC expansion is very sensitive to the timing and size of the expansion. We believe it will be possible for us to have a proposal that achieves the same goals of the D'Amato bill, but does it in a much less costly manner (hopefully in the \$350 million over five years range). For example, if the credit expanded by \$.10 each year -- from \$1.25 this year to \$1.35 next year, etc. -- up to \$1.75 in 2003. Treasury should be getting back to us either late today or early tomorrow about these options.

Paul and I will continue to work with Deich, Minarik, Scholz, Barr, and HUD to get these options refined and into a memo that can be sent to the President on Friday night.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 3-DEC-1997 13:03:36.00

SUBJECT: Re: Low Income Housing Tax Credit

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Paul:

FYI: It's Karl Scholz....

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**Clinton Presidential Records  
Automated Records Management System  
[EMAIL] and Tape Restoration Project [Email]**

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This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

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Collection: 2015-1120-F

Bucket: OPD

Creation Date: 1997-12-04

Subject: From LISC

Creator: Paul J. Weinstein Jr. CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ]

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 4-DEC-1997 19:52:50.00

SUBJECT: Re: Allocatable Tax Credits

TO: Thomas A. Kalil ( CN=Thomas A. Kalil/OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

TEXT:

There has been discussion of the possibility of doing some R&D (or similar) things we cannot fit on the spending side through "allocable tax credits." In the simplest form, research agencies could have a competition just as now, but could give the winner a certificate good for a tax credit instead of a check. Current-law examples include the low-income housing tax credit, and private-activity bonds. This doesn't work as smoothly if the winner is a not-for-profit or a firm that for whatever reason (e.g., it's new) has no tax liability. Treasury doesn't like the idea very much, but we might have few options, given that the discretionary spending caps are very tight.

Does this answer your question?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas A. Kalil ( CN=Thomas A. Kalil/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 4-DEC-1997 20:10:59.00

SUBJECT: Re: Allocatable Tax Credits

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TEXT:

Joseph J. Minarik

12/04/97 07:52:46 PM

Record Type: Record

To: Thomas A. Kalil/OPD/EOP

cc:

Subject: Re: Allocatable Tax Credits

There has been discussion of the possibility of doing some R&D (or similar) things we cannot fit on the spending side through "allocable tax credits." In the simplest form, research agencies could have a competition just as now, but could give the winner a certificate good for a tax credit instead of a check. Current-law examples include the low-income housing tax credit, and private-activity bonds. This doesn't work as smoothly if the winner is a not-for-profit or a firm that for whatever reason (e.g., it's new) has no tax liability. Treasury doesn't like the idea very much, but we might have few options, given that the discretionary spending caps are very tight.

Does this answer your question?

Yes. You could solve one of the problems you raised by giving credits to companies that sponsor university-based R&D.

One of the models that we are exploring in industries that are growing much faster than the gov't (e.g. high-tech industries with growth rates of 30-50 percent) is cost-sharing university-based R&D. For each dollar we put in -- they put in 2-3 for research that is 5-10 years out.

The advantages of this are:

- \* universities are more likely to do longer-term research that is not appropriable
- \* university researchers publish - leading to wider dissemination of results
- \* "tech transfer" occurs when professors and students leave the university

The gov't involvement in this prevents the companies from driving the university research to a short-term focus

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 4-DEC-1997 21:50:21.00

SUBJECT: LIHTC Options Memo

TO: Jose Cerda III ( CN=Jose Cerda III/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Elena Kagan ( CN=Elena Kagan/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Michael Deich ( CN=Michael Deich/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TEXT:

Rough Draft.

===== ATTACHMENT 1 =====  
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D30]MAIL43949773H.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details some options to increase the cap on the LIHTC and to index it in future years for inflation. This initiative, along with proposals to raise the number of incremental vouchers, expand home ownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing about 110,000 low-income rental units per year. In 10 years, the LIHTC has helped create more than 900,000 units of rental housing nationwide.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population of the nation, its ability to serve its public policy mission is being eroded each year by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Low-Income Housing Support Coalition (LISC) support this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.

2. Raise the LIHTC Cap by \$350 to \$600 million and index for Inflation -- This is a moderate-cost

approach that would partially offset the real loss of the credit value since 1986. It would raise the credit from its current value of \$1.25 per capital to \$1.38 to \$1.50 per capita. This proposal would cost \$350 to \$600 million over five years.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

The Domestic Policy Council (DPC) and the National Economic Council (NEC) recommend option 2. This proposal would provide for a modest increase in the LIHTC and index it for inflation, while insuring that the efficiency effects from relatively tight caps remain.

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**Clinton Presidential Records  
Automated Records Management System  
[EMAIL] and Tape Restoration Project [Email]**

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This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

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Collection: 2009-1006-F (Elena Kagan)

Bucket: OPD

Creation Date: 1997-12-05

Subject: Final LIHTC Memo

Creator: Paul J. Weinstein Jr. CN=Paul J. Weinstein  
Jr./OU=OPD/O=EOP [ OPD ]

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**Clinton Presidential Records  
Automated Records Management System  
[EMAIL] and Tape Restoration Project [Email]**

---

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

---

Collection: 2009-1006-F (Elena Kagan)

Bucket: WHO

Creation Date: 1997-12-05

Subject: LIHTC Draft

Creator: Paul J. Weinstein Jr. CN=Paul J. Weinstein  
Jr./OU=OPD/O=EOP [ OPD ]

---

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 13:31:26.00

SUBJECT: Treasury

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Paul:

I just spoke with Karl. He thinks the memo is very fair. He will provide some comments as soon as possible to you. I asked for more specific revenue estimates and he is going to try to provide them by the close of business.

One edit: In the header for OPTION 2. It should probably read "Raise the LIHTC Cap -- Cost: \$350 million to \$600 million." Right now, it is confusing, because it reads as though we are raising the cap from \$350 to \$600 million.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 16:18:00.00

SUBJECT: Re: Memos to POTUS

TO: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Jonathan A. Kaplan/OPD/EOP on 12/05/97  
04:25 PM -----

Jonathan Orszag  
12/05/97 04:01:03 PM  
Record Type: Record

To: Jonathan A. Kaplan/OPD/EOP  
cc:  
Subject: Re: Memos to POTUS

Add Low-Income Housing Tax Credit -- the memo is done. Been circulated to staff. Gene will review tonight.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 13:20:36.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

You mean \$330 million range per year, not 3.3 billion

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 12:02:24.00

SUBJECT: Improved LIHTC Version. Comments still needed asap.

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

TO: Michael Deich ( CN=Michael Deich/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP @ EOP [ OMB ] )  
READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D54]MAIL40454483V.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details several options to increase the cap on the LIHTC and to potentially index to the rate of inflation in future years. This initiative, along with proposals to raise the number of incremental vouchers, expand homeownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing about 110,000 low-income rental units per year. In 10 years, the LIHTC has helped create more than 900,000 units of rental housing nationwide.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population, its ability to serve its public policy mission is being eroded by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%; if the cap had been indexed in 1986, the current credit would be more than \$1.75 per capita.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Local Initiatives Support Corporation (LISC) are strong supporters of this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.

2. Raise the LIHTC Cap by \$350 million to \$600 million -- This is a moderate-cost approach that would partially offset the real loss of the credit value since 1986. For roughly \$350 million over five years, we could increase the credit from its current value of \$1.25 to \$1.38 per capita. A more expensive, but still moderate approach, would be to increase the credit to \$1.50 per capita, which would cost approximately \$600 million over five years. We could also add indexation to one of these increases, but this (a) would increase the costs and (b) Tax Policy at Treasury believes that this would recreate the inefficiency problems the program suffered through several years ago.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

Tax Policy at Treasury raises several concerns with any raise in the cap on the LIHTC (e.g., there are more efficient ways to increase low-income housing than using the tax code and having tight caps increase the efficiency of the program since projects must compete vigorously for the credit). While their argument is true, the LIHTC is the only option that is on the table that will help build more affordable housing for people with low incomes. Moreover, LISC, Enterprise Foundation, and the other community development groups view the LIHTC as yours, since you were the one who permanently extended it. *If Congress acts this year to increase the cap -- which is likely -- and we do not have a proposal on the table, you may lose the LIHTC as one of your lasting legacies.*

The DPC and NEC recommend that you chose option 2. Option 2 would provide a modest increase in the LIHTC, while ensuring that the efficiency effects from relatively tight caps remain. The DPC and NEC believe that option 1 -- while ensuring that the credit is no longer eroded by inflation -- is too small and Tax Policy believes that as the caps are increased over time, the efficiency of the program would decrease. Option 3 -- at a cost of \$1.5-\$2.0 billion -- is just not feasible in the current constraints of the budget.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 10:43:31.00

SUBJECT: LIHTC Memo

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TEXT:

This is very rough. If you or Michael have any edits please let me know by 12:45. Treasury and HUD are reviewing.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 5-DEC-1997 13:53:30.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

CC: francis s. redburn ( CN=francis s. redburn/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

CC: jonathan orszag ( CN=jonathan orszag/OU=opd/O=eop@eop [ OPD ] )

READ:UNKNOWN

CC: michael deich ( CN=michael deich/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

TEXT:

OK, OK, I screwed up. Please ignore the last version of the e-mail I sent you, and take the following in its stead:

If it were up to me, I would conclude that this is not ready to go to the President. For example, there are references to Treasury in the memo, but there is no Treasury recommendation. Are they OK with the revenue estimates? Might we not formulate a housing option that would be more cost-efficient, given that Treasury is cited as doubting the efficiency of this provision?

If we send the President a memo like this in isolation, and he expresses some interest, does that mean that we are committed to putting scarce money here -- even if there are other options not yet raised that he would like better?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 10:19:29.00

SUBJECT: Re: Presidential Initiative Followup

TO: Mary L. Smith ( CN=Mary L. Smith/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Take out the Low-Income Housing Tax Credit. That was made permanent in 1993 as part of OBRA. It is not an executive action.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 5-DEC-1997 12:15:59.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

CC: joseph j. minarik ( CN=joseph j. minarik/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

CC: jonathan orszag ( CN=jonathan orszag/OU=opd/O=eop@eop [ OPD ] )

READ:UNKNOWN

CC: michael deich ( CN=michael deich/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

TEXT:

I'll fax you a couple of things that might round out the picture and suggest options for reform. One is a LISC analysis of the credit's use and efficiency (as you know, LISC is a major conduit for the LIHTC). The other is an old (1994) memo to the OMB Director from me and others that doesn't represent anyone's current views but may suggest some ideas and things to be concerned about.

I'll shortly have a copy of a critical piece on the Credit that appeared in TAX NOTES. Once I've read it, if it looks useful, I'll send it too.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 11:51:36.00

SUBJECT: LIHTC

TO: WEINSTEIN\_P ( WEINSTEIN\_P @ A1 @ CD @ LNGTWY [ UNKNOWN ] ) (OPD)

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D44]MAIL44783483H.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details several options to increase the cap on the LIHTC and to potentially index to the rate of inflation in future years. This initiative, along with proposals to raise the number of incremental vouchers, expand homeownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing about 110,000 low-income rental units per year. In 10 years, the LIHTC has helped create more than 900,000 units of rental housing nationwide.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population, its ability to serve its public policy mission is being eroded by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%; if the cap had been indexed in 1986, the current credit would be more than \$1.75 per capita.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Local Initiatives Support Corporation (LISC) are strong supporters of this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.

2. Raise the LIHTC Cap by \$350 million to \$600 million -- This is a moderate-cost approach that would partially offset the real loss of the credit value since 1986. For roughly \$350 million over five years, we could increase the credit from its current value of \$1.25 to \$1.38 per capita. A more expensive, but still moderate approach, would be to increase the credit to \$1.50 per capita, which would cost approximately \$600 million over five years. We could also add indexation to one of these increases, but this (a) would increase the costs and (b) Tax Policy at Treasury believes that this would recreate the inefficiency problems the program suffered through several years ago.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

Tax Policy at Treasury raises several concerns with any raise in the cap on the LIHTC (e.g., there are more efficient ways to increase low-income housing than using the tax code and having tight caps increase the efficiency of the program since projects must compete vigorously for the credit). While their argument is true, the LIHTC is the only option that is on the table that will help build more affordable housing for people with low incomes. Moreover, LISC, Enterprise Foundation, and the other community development groups view the LIHTC as yours, since you were the one who permanently extended it. *If Congress acts this year to increase the cap -- which is likely -- and we do not have a proposal on the table, you may lose the LIHTC as one of your lasting legacies.*

The DPC and NEC recommend that you chose option 2. Option 2 would provide a modest increase in the LIHTC, while ensuring that the efficiency effects from relatively tight caps remain. The DPC and NEC believe that option 1 -- while ensuring that the credit is no longer eroded by inflation -- is too small and Tax Policy believes that as the caps are increased over time, the efficiency of the program would decrease. Option 3 -- at a cost of \$1.5-\$2.0 billion -- is just not feasible in the current constraints of the budget.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 16:01:09.00

SUBJECT: Re: Memos to POTUS

TO: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Add Low-Income Housing Tax Credit -- the memo is done. Been circulated to staff. Gene will review tonight.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 5-DEC-1997 13:44:41.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

CC: francis s. redburn ( CN=francis s. redburn/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

CC: jonathan orszag ( CN=jonathan orszag/OU=opd/O=eop@eop [ OPD ] )

READ:UNKNOWN

CC: michael deich ( CN=michael deich/OU=omb/O=eop@eop [ OMB ] )

READ:UNKNOWN

Randolph M. Lyon ( CN=Randolph M. Lyon/OU=OMB/O=EOP@EOP [ OMB ] )

READ:UNKNOWN

TEXT:

If it were up to me, I would conclude that this is ready to go to the President. For example, there are references to Treasury in the memo, but there is no Treasury recommendation. Are they OK with the revenue estimates? Might we not formulate a housing option that would be more cost-efficient, given that Treasury is cited as doubting the efficiency of this provision?

If we send the President a memo like this in isolation, and he expresses some interest, does that mean that we are committed to putting scarce money here -- even if there are other options not yet raised that he would like better?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 5-DEC-1997 08:29:29.00

SUBJECT: Re: Allocatable Tax Credits

TO: Thomas A. Kalil ( CN=Thomas A. Kalil/OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

TEXT:

We're hip, and that is one part of the routine. I think there is some concern about forcing universities and other non-profits who are doing research on their own to go out and find a taxable sponsor; I don't know how frequently such situations would arise, though. DoE has been charged with trying to assess the magnitude of the potential problem.

Thomas A. Kalil  
12/04/97 08:10:53 PM  
Record Type: Record

To: Joseph J. Minarik/OMB/EOP@EOP  
cc:  
bcc:  
Subject: Re: Allocatable Tax Credits

Joseph J. Minarik  
  
12/04/97 07:52:46 PM  
Record Type: Record

To: Thomas A. Kalil/OPD/EOP  
cc:  
Subject: Re: Allocatable Tax Credits

There has been discussion of the possibility of doing some R&D (or similar) things we cannot fit on the spending side through "allocable tax credits." In the simplest form, research agencies could have a competition just as now, but could give the winner a certificate good for a tax credit instead of a check. Current-law examples include the low-income housing tax credit, and private-activity bonds. This doesn't

work as smoothly if the winner is a not-for-profit or a firm that for whatever reason (e.g., it's new) has no tax liability. Treasury doesn't like the idea very much, but we might have few options, given that the discretionary spending caps are very tight.

Does this answer your question?

Yes. You could solve one of the problems you raised by giving credits to companies that sponsor university-based R&D.

One of the models that we are exploring in industries that are growing much faster than the gov't (e.g. high-tech industries with growth rates of 30-50 percent) is cost-sharing university-based R&D. For each dollar we put in -- they put in 2-3 for research that is 5-10 years out.

The advantages of this are:

- \* universities are more likely to do longer-term research that is not appropriable
- \* university researchers publish - leading to wider dissemination of results
- \* "tech transfer" occurs when professors and students leave the university

The gov't involvement in this prevents the companies from driving the university research to a short-term focus

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 10:44:09.00

SUBJECT: LIHTC Memo

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TEXT:

Sorry I didn't attach. Here it is.

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D76]MAIL47989383E.316 to ASCII,

The following is a HEX DUMP:

=====  
===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details some options to increase the cap on the LIHTC and to index it in future years for inflation. This initiative, along with proposals to raise the number of incremental vouchers, expand home ownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing about 110,000 low-income rental units per year. In 10 years, the LIHTC has helped create more than 900,000 units of rental housing nationwide.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population of the nation, its ability to serve its public policy mission is being eroded each year by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Low-Income Housing Support Coalition (LISC) support this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.
2. Raise the LIHTC Cap by \$350 to \$600 million and Index for Inflation -- This is a moderate-cost

approach that would partially offset the real loss of the credit value since 1986. It would raise the credit from its current value of \$1.25 per capital to \$1.38 to \$1.50 per capita. This proposal would cost \$350 to \$600 million over five years.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

The Domestic Policy Council (DPC) and the National Economic Council (NEC) recommend option 2. This proposal would provide for a modest increase in the LIHTC and index it for inflation, while insuring that the efficiency effects from relatively tight caps remain.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 13:15:24.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

what do you make of this.

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
12/05/97 01:15 PM -----

FRANCIS S.

REDBURN

12/05/97 12:59:24 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP

cc: See the distribution list at the bottom of this message

Subject: Re: Improved LIHTC Version. Comments still needed asap.

Thought you might find this commentary useful.

----- Forwarded by Francis S. Redburn/OMB/EOP on 12/05/97  
12:58 PM -----

Randolph M. Lyon

12/05/97 12:45:53 PM

Record Type: Record

To: Francis S. Redburn/OMB/EOP@EOP

cc: Joseph J. Minarik/OMB/EOP@EOP, Justine F. Rodriguez/OMB/EOP@EOP

Subject: Re: Improved LIHTC Version. Comments still needed asap.

Thanks for the copy of the draft. My reaction is that the recommendation to expand the LIHTC is not sufficiently staffed at this time to go to the President -- particularly as Treasury disagrees with the recommendation. Moreover, given OMB reservations at least at the staff level, it is not clear where OMB would come out on this issue. I think you are right to alert the DPC to the work we did a couple years ago on ways to improve the credit. I don't understand whether there is a genuine need to get this memo to the President in the next day or so.

We are trying to fax you the article from Tax Notes on the credit. It turns out that it deals with some fairly technical issues of nonprofit agency involvement in the syndications.

Finally, on a technical level, I find the memo inadequate. The reference to expanding the credit for \$350 million to \$600 million "over 5 years" is not transparent. Specifically, the existing credit costs \$3.3 to \$3.5 billion per year. A 20% increase in the per capita cap would increase costs by over \$600 million per year. Also, the memo provides no sense of how cost-effective (or ineffective) the credit is, relative to alternatives.

Message Copied

To: \_\_\_\_\_

Randolph M. Lyon/OMB/EOP

Michael Deich/OMB/EOP

Alan B. Rhinesmith/OMB/EOP

Theodore Wartell/OMB/EOP

Patricia E. Romani/OMB/EOP

Alexandra Gianinno/OMB/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 5-DEC-1997 12:59:06.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP@EOP [ OPD ] )  
READ:UNKNOWN

CC: Alexandra Gianinno ( CN=Alexandra Gianinno/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

CC: Theodore Wartell ( CN=Theodore Wartell/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

CC: Michael Deich ( CN=Michael Deich/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

CC: Patricia E. Romani ( CN=Patricia E. Romani/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

CC: Alan B. Rhinesmith ( CN=Alan B. Rhinesmith/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

CC: Randolph M. Lyon ( CN=Randolph M. Lyon/OU=OMB/O=EOP@EOP [ OMB ] )  
READ:UNKNOWN

TEXT:

Thought you might find this commentary useful.

----- Forwarded by Francis S. Redburn/OMB/EOP on 12/05/97  
12:58 PM -----

Randolph M. Lyon

12/05/97 12:45:53 PM

Record Type: Record

To: Francis S. Redburn/OMB/EOP@EOP  
cc: Joseph J. Minarik/OMB/EOP@EOP, Justine F. Rodriguez/OMB/EOP@EOP  
Subject: Re: Improved LIHTC Version. Comments still needed asap.

Thanks for the copy of the draft. My reaction is that the recommendation to expand the LIHTC is not sufficiently staffed at this time to go to the President -- particularly as Treasury disagrees with the recommendation. Moreover, given OMB reservations at least at the staff level, it is not clear where OMB would come out on this issue. I think you are right to

alert the DPC to the work we did a couple years ago on ways to improve the credit. I don't understand whether there is a genuine need to get this memo to the President in the next day or so.

We are trying to fax you the article from Tax Notes on the credit. It turns out that it deals with some fairly technical issues of nonprofit agency involvement in the syndications.

Finally, on a technical level, I find the memo inadequate. The reference to expanding the credit for \$350 million to \$600 million "over 5 years" is not transparent. Specifically, the existing credit costs \$3.3 to \$3.5 billion per year. A 20% increase in the per capita cap would increase costs by over \$600 million per year. Also, the memo provides no sense of how cost-effective (or ineffective) the credit is, relative to alternatives.

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details some options to increase the cap on the LIHTC and to index it in future years for inflation. This initiative, along with proposals to raise the number of incremental vouchers, expand home ownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing about 110,000 low-income rental units per year. In 10 years, the LIHTC has helped create more than 900,000 units of rental housing nationwide.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population of the nation, its ability to serve its public policy mission is being eroded each year by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Low-Income Housing Support Coalition (LISC) support this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.

2. Raise the LIHTC Cap by \$350 to \$600 million and Index for Inflation -- This is a moderate-cost

approach that would partially offset the real loss of the credit value since 1986. It would raise the credit from its current value of \$1.25 per capita to \$1.38 to \$1.50 per capita. This proposal would cost \$350 to \$600 million over five years.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

The Domestic Policy Council (DPC) and the National Economic Council (NEC) recommend option 2. This proposal would provide for a modest increase in the LIHTC and index it for inflation, while insuring that the efficiency effects from relatively tight caps remain.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 10:42:25.00

SUBJECT: LIHTC Memo

TO: Mary L. Smith ( CN=Mary L. Smith/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D22]MAIL47379383C.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details some options to increase the cap on the LIHTC and to index it in future years for inflation. This initiative, along with proposals to raise the number of incremental vouchers, expand home ownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

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However, because the amount of the LIHTC that can be allocated each year is capped relative to the population of the nation, its ability to serve its public policy mission is being eroded each year by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare," the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Low-Income Housing Support Coalition (LISC) support this legislation.

**Options**

1. Index LIHTC for Inflation -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986.

2. Raise the LIHTC Cap by \$350 to \$600 million and Index for Inflation -- This is a moderate-cost

approach that would partially offset the real loss of the credit value since 1986. It would raise the credit from its current value of \$1.25 per capital to \$1.38 to \$1.50 per capita. This proposal would cost \$350 to \$600 million over five years.

3. Support S. 1252 (D'Amato-Graham) -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.5 to \$2 billion over five years.

### **Recommendation**

The Domestic Policy Council (DPC) and the National Economic Council (NEC) recommend option 2. This proposal would provide for a modest increase in the LIHTC and index it for inflation, while insuring that the efficiency effects from relatively tight caps remain.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 14:02:33.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

CC: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Treasury is reviewing the memo now. It seems as though there may be some internal disagreement between tax policy and Michael Barr. They will provide their recommendation before the memo goes to the President. They are also reviewing the revenue estimates and will comment on those for the final draft.

As for the efficiency issue, I think we all will tend to agree that there are more efficient means of building affordable low-income housing. However, none of those options are available to us. The LIHTC is the only means we have right now to achieve the ends.

As for the President's interest, the expansion of the LIHTC will compete with child care, education, etc. for scarce resources. The President will like all of the proposals. It will just come down to which ones he likes best.

Joseph J. Minarik

12/05/97 01:53:25 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP

cc: michael deich/omb/eop, francis s. redburn/omb/eop, jonathan orszag/opd/eop

Subject: Re: Improved LIHTC Version. Comments still needed asap.

OK, OK, I screwed up. Please ignore the last version of the e-mail I sent you, and take the following in its stead:

If it were up to me, I would conclude that this is not ready to go to the President. For example, there are references to Treasury in the memo, but there is no Treasury recommendation. Are they OK with the revenue

estimates? Might we not formulate a housing option that would be more cost-efficient, given that Treasury is cited as doubting the efficiency of this provision?

If we send the President a memo like this in isolation, and he expresses some interest, does that mean that we are committed to putting scarce money here -- even if there are other options not yet raised that he would like better?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 19:51:28.00

SUBJECT: Final LIHTC Memo

TO: Mary L. Smith ( CN=Mary L. Smith/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TO: Thomas L. Freedman ( CN=Thomas L. Freedman/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
12/05/97 07:51 PM -----

Paul J. Weinstein Jr. 12/05/97 07:42:05 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: See the distribution list at the bottom of this message

Subject: Final LIHTC Memo

This is it. Treasury has given us some more finalized numbers. HUD has reviewed and supports expanding the credit. OMB has seen but isn't taking a position. While Tax Policy at Treasury has some reservations (as they always do), Treasury itself has not taken a position. They are divided. Michael Barr supports the expanding the credit.

Message Copied

To: \_\_\_\_\_  
Russell W. Horwitz/OPD/EOP  
Jonathan Orszag/OPD/EOP  
Emil E. Parker/OPD/EOP  
Jose Cerda III/OPD/EOP  
Bruce N. Reed/OPD/EOP  
Laura Emmett/WHO/EOP

===== ATTACHMENT 1 =====  
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D58]MAIL489827832.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details several options to increase the cap on the LIHTC and to potentially index it to the rate of inflation in future years. This initiative, along with proposals to raise the number of incremental vouchers, expand homeownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing 90,000-100,000 low-income rental units per year.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population, its ability to serve its public policy mission is being eroded by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%; if the cap had been indexed in 1986, the current credit would be more than \$1.75 per capita.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare" and your repeated vetoes of efforts to sunset the LIHTC, the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Local Initiatives Support Corporation (LISC) are strong supporters of this legislation.

**Options**

1. Index LIHTC for Inflation -- Cost: \$175 Million Over Five Years -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986. This would cost roughly \$175 million over five years.

2. Raise the LIHTC Cap -- Cost: \$359 Million to \$600 Million Over Five Years -- This is a moderate-cost approach that would partially offset the real loss of the credit value since 1986. For \$359 million over five years, we could increase the credit from its current value of \$1.25 to \$1.37 per capita. A more expensive, but still moderate approach, would be to increase the credit to \$1.50 per capita, which would cost approximately \$600 million over five years according to preliminary Treasury estimates. We could also add indexation to one of these increases, but this would increase the costs. Tax Policy at Treasury notes that indexation would raise the cap substantially in the outyears which would recreate the inefficiency problems the program suffered through several years ago.

3. Support S. 1252 (D'Amato-Graham) -- Cost: \$1.6 Billion Over Five Years -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.6 billion over five years.

### **Recommendation**

Tax Policy at Treasury raises several concerns with any raise in the cap on the LIHTC (e.g., there are more efficient ways to increase low-income housing than using the tax code and having tight caps increases the efficiency of the program since projects must compete vigorously for the credit). While their argument has some merit, the LIHTC has proven to be an increasingly efficient tool and remains the only politically feasible option available to help build more affordable housing for people with low incomes. Moreover, LISC, Enterprise Foundation, and the other community development groups view the LIHTC as yours, since you were the one who permanently extended it. If Congress acts this year to increase the cap -- which is likely -- and we do not have a proposal on the table, you may lose the LIHTC as one of your lasting legacies.

The DPC and NEC recommend that you chose option 2. Option 2 would provide a modest increase in the LIHTC, while ensuring that the efficiency effects from relatively tight caps remain. The DPC and NEC believe that option 1 -- while ensuring that the credit is no longer eroded by inflation -- is too small and Tax Policy believes that as the caps are increased over time, the efficiency of the program would decrease. Option 3 -- at a cost of \$1.6 billion -- may not be feasible in the current constraints of the budget.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 14:35:36.00

SUBJECT: Re: Improved LIHTC Version. Comments still needed asap.

TO: Joseph J. Minarik ( CN=Joseph J. Minarik/OU=OMB/O=EOP @ EOP [ OMB ] )

READ:UNKNOWN

TEXT:

Treasury Tax Policy is getting us some better cost estimates. The expanded LIHTC does fit into a broader housing initiative, so the President won't see this in isolation. For example, he might choose to do more on vouchers. I will get you final version with Treasury edits.

Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 5-DEC-1997 17:26:55.00

SUBJECT: Timeframe for Initiatives

TO: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Russ:

Here is some info for the memo and binder you're doing for Gene.

Cleared and ready Friday for Gene's review before submission:

- child labor
- mentoring
- low income housing tax credit

Possibly cleared and ready Friday (if not, Saturday) for Gene's review:

- hispanic ed
- school construction

Cleared and ready Saturday for Gene's review:

- teacher training in technology
- higher education access campaign
- UI

Cleared and ready Saturday/Sunday for Gene's review:

- learning on demand

Cleared and ready Sunday for Gene's review:

- pensions

Others/unclear:

- health care
- climate change
- housing

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mary L. Smith ( CN=Mary L. Smith/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:16-DEC-1997 19:00:50.00

SUBJECT: Final LIHTC Memo -- Paul's Memo

TO: Thomas L. Freedman ( CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Mary L. Smith/OPD/EOP on 12/16/97  
07:00 PM -----

Paul J. Weinstein Jr. 12/05/97 07:51:21 PM

Record Type: Record

To: Thomas L. Freedman/OPD/EOP, Mary L. Smith/OPD/EOP

cc:

Subject: Final LIHTC Memo

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
12/05/97 07:51 PM -----

Paul J. Weinstein Jr. 12/05/97 07:42:05 PM

Record Type: Record

To: Elena Kagan/OPD/EOP

cc: See the distribution list at the bottom of this message

Subject: Final LIHTC Memo

This is it. Treasury has given us some more finalized numbers. HUD has reviewed and supports expanding the credit. OMB has seen but isn't taking a position. While Tax Policy at Treasury has some reservations (as they always do), Treasury itself has not taken a position. They are divided. Michael Barr supports the expanding the credit.

Message Copied

To: \_\_\_\_\_  
Russell W. Horwitz/OPD/EOP  
Jonathan Orszag/OPD/EOP  
Emil E. Parker/OPD/EOP  
Jose Cerda III/OPD/EOP  
Bruce N. Reed/OPD/EOP

Laura Emmett/WHO/EOP

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D44]MAIL443096949.316 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED  
GENE SPERLING

SUBJECT: **Expanding the Low-Income Housing Tax Credit (LIHTC)**

**Overview**

This memorandum details several options to increase the cap on the LIHTC and to potentially index it to the rate of inflation in future years. This initiative, along with proposals to raise the number of incremental vouchers, expand homeownership, and strengthen the Fair Lending Law would build on the housing successes of your first four years.

**Affordable Housing and the Low-Income Housing Tax Credit**

Enacted as part of the Tax Reform Act of 1986, and made permanent by you in 1993, the LIHTC offers corporate and individual investors a credit against their federal income taxes based on the cost of acquiring, rehabilitating, or constructing low-income housing. The tax credit is a major federal resource for affordable housing, producing 90,000-100,000 low-income rental units per year.

However, because the amount of the LIHTC that can be allocated each year is capped relative to the population, its ability to serve its public policy mission is being eroded by inflation. The amount of the LIHTC that states may allocate each year is \$1.25 times the state's population. Since 1986, the purchasing power of the LIHTC has eroded by about 45%; if the cap had been indexed in 1986, the current credit would be more than \$1.75 per capita.

After several years of attacks from conservative Republicans to repeal the credit on the grounds that it is a form of "corporate welfare" and your repeated vetos of efforts to sunset the LIHTC, the credit currently enjoys bipartisan support in Congress and across the nation among state and local officials. Senators D'Amato and Graham have introduced legislation (S. 1252) that would provide for a significant increase in the annual volume cap. Groups such as the Local Initiatives Support Corporation (LISC) are strong supporters of this legislation.

**Options**

1. Index LIHTC for Inflation -- Cost: \$175 Million Over Five Years -- An inexpensive option would be to change the LIHTC statute and index the LIHTC to the Consumer Price Index. This would insure that the credit does not experience any additional future decline in value from inflation. However, this proposal would not make up any of the lost value of the credit since 1986. This would cost roughly \$175 million over five years.

2. Raise the LIHTC Cap -- Cost: \$359 Million to \$600 Million Over Five Years -- This is a moderate-cost approach that would partially offset the real loss of the credit value since 1986. For \$359 million over five years, we could increase the credit from its current value of \$1.25 to \$1.37 per capita. A more expensive, but still moderate approach, would be to increase the credit to \$1.50 per capita, which would cost approximately \$600 million over five years according to preliminary Treasury estimates. We could also add indexation to one of these increases, but this would increase the costs. Tax Policy at Treasury notes that indexation would raise the cap substantially in the outyears which would recreate the inefficiency problems the program suffered through several years ago.

3. Support S. 1252 (D'Amato-Graham) -- Cost: \$1.6 Billion Over Five Years -- This proposal would increase the annual volume cap of the LIHTC to \$1.75 per capita and index it for future years. This proposal would cost \$1.6 billion over five years.

### **Recommendation**

Tax Policy at Treasury raises several concerns with any raise in the cap on the LIHTC (e.g., there are more efficient ways to increase low-income housing than using the tax code and having tight caps increases the efficiency of the program since projects must compete vigorously for the credit). While their argument has some merit, the LIHTC has proven to be an increasingly efficient tool and remains the only politically feasible option available to help build more affordable housing for people with low incomes. Moreover, LISC, Enterprise Foundation, and the other community development groups view the LIHTC as yours, since you were the one who permanently extended it. If Congress acts this year to increase the cap -- which is likely -- and we do not have a proposal on the table, you may lose the LIHTC as one of your lasting legacies.

The DPC and NEC recommend that you chose option 2. Option 2 would provide a modest increase in the LIHTC, while ensuring that the efficiency effects from relatively tight caps remain. The DPC and NEC believe that option 1 -- while ensuring that the credit is no longer eroded by inflation -- is too small and Tax Policy believes that as the caps are increased over time, the efficiency of the program would decrease. Option 3 -- at a cost of \$1.6 billion -- may not be feasible in the current constraints of the budget.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:22-DEC-1997 09:09:21.00

SUBJECT: Budget Items

TO: Charles R. Marr ( CN=Charles R. Marr/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Here's a list of the budget items that Gene will want to review:

NADBank: Is the \$37 million in one year or is it spread out over four years?

Homeownership Zones: How do we find the \$25 million for this? (Working with Deich)

UI Reform: Gene has two options and it looks as though Frank/Jack are waiting for Gene to make a decision. Sec. Herman and Dep. Sec. Higgins support option #2, as does Barbara Chow and Larry M.:

Extended Benefits and Alternative Base Period: \$90-\$120 Million Over Five Years in Mandatory Spending.

Use Enhanced Reed Act Distribution to Pay for UI Underfunding, Extended Benefits, and Alternative Base Period: No Cost But Some States May Choose to Raise Taxes By About \$4 Per Year for Each Worker.

Low-Income Housing Tax Credit: Should it be indexed to inflation or not?

If we do not index, it saves approximately \$100-\$130 million over five years.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP [ UNKNOWN ] )

CREATION DATE/TIME: 6-JAN-1998 16:43:06.00

SUBJECT: Re: Low Income Housing Tax Credit Event

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

You are totally on key today; except the date is January 13th, Tuesday.

We will do an event in the afternoon around 3:30 pm. I am the staff contact for OVP and have been in discussions with LISC and Jon Orzag from Sperling's staff. LISC has identified several potential sites that I am vetting with political and press. If you want more information let me know.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 6-JAN-1998 17:10:58.00

SUBJECT: Re: Low Income Housing Tax Credit Event

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Actually, I want to be involved as much as the NEC, since John and I got this in the budget together and DPC has jurisdiction. I would like to see all paper and the VP's speech. In addition, please invite me to any meetings you have on this as well as Christa Robinson, she is our communications/events staffer. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP [ UNKNOWN ] )

CREATION DATE/TIME: 7-JAN-1998 08:28:51.00

SUBJECT: Re: Low Income Housing Tax Credit Event

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Christa Robinson ( CN=Christa Robinson/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Paul and Christa,

The Chicago trip meeting is today at 2:30 in room 279. I have recieved information from LISC on potential sites and would like for us to come up with a reccomendation. I think it would be helpful if we could sit down before the trip meeting to decide how you want to roll out this policy. Paul, can we meet at your place at 2:00 pm?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 7-JAN-1998 09:24:50.00

SUBJECT: Re: Low Income Housing Tax Credit Event

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Sure.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 23:52:27.00

SUBJECT: Chicago Event

TO: Eli G. Attie ( CN=Eli G. Attie/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Eli:

What do you need me to do for the Chicago event? I assume that you want some paper on the low-income housing tax credit specifically and what we are doing in the budget. We also have some paper from the POTUS New York event in December on our Community Empowerment agenda. Since that's been cleared already, I assume that could be helpful (not only to you or whoever is writing the speech, but to the traveling press).

Since this is one of the biggest parts of our housing agenda, you should probably bring someone who can answer questions about the credit (on background) at the event. Paul Weinstein or myself could do it. But Michael Barr (at Treasury) would probably be the best: he knows a ton about our community empowerment agenda and played an important role in getting the expansion in the credit through Treasury -- he actually convinced Rubin and Summers to be "neutral" on increasing it, which is pretty incredible.

We should also talk about a press strategy for this one. This is not just a local story. This is a national one. There is no reason that we shouldn't try to push this out as much as possible. I am at your service. And since Gene is a big fan -- and the one who actually got the expansion of the credit in the budget -- I am sure that he will help as much as possible in getting this play.

Jon

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christa Robinson ( CN=Christa Robinson/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 12:49:29.00

SUBJECT: POTUS NYC Event

TO: Michelle Crisci ( CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TEXT:

It would be great to get Rahm's feedback on this if possible.

----- Forwarded by Christa Robinson/OPD/EOP on 01/08/98

12:49 PM -----

Christa Robinson

01/08/98 11:59:07 AM

Record Type: Record

To: Ann F. Lewis/WHO/EOP, Ruby Shamir/WHO/EOP, Stacie Spector/WHO/EOP

cc:

Subject: POTUS NYC Event

Here are the specific ideas NEC is looking at for the POTUS NYC trip on the 15th. (Gene hasn't reviewed yet.) It would be great to have a meeting to discuss which ideas make the most sense.

One question that has come up is whether the VP should not make the low-income housing tax credit announcement in Chicago on the 14th so that the President can do it on the 15th. Please let me know what you think, so that we can find something else for the VP if necessary.

----- Forwarded by Christa Robinson/OPD/EOP on 01/08/98

11:53 AM -----

Paul J. Weinstein Jr.

01/08/98 11:18:00 AM

Record Type: Record

To: Christa Robinson

cc:

Subject: POTUS NYC Event

Message Creation Date was at 8-JAN-1998 11:18:00

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
01/08/98

11:18 AM -----

Jonathan Orszag  
01/08/98 11:09:00 AM

Record Type: Record

To: Paul J. Weinstein Jr.  
cc:  
Subject: POTUS NYC Event

Message Creation Date was at 8-JAN-1998 11:09:00

Gene asked me to come up with some ideas for the event. Here's what I have:

1. Announce \$1.5 Billion Increase in HUD Budget.
2. Low-Income Housing Tax Credit (VP is planned to do this in Chicago on 1/13)
3. 50,000 Welfare-to-Work Housing Vouchers
4. Housing Mobility Plan (Three components: (1) Expand Regional Opportunity Counseling program to help low-income families find housing in lower poverty areas; (2) Eliminate Obstacles to and Provide Incentives for Portability by establishing a portability clearinghouse; providing PHAs bonus based on the number of Section 8 participants moving to lower-poverty areas; and encouraging PHAs to request exception rents (above the fair market rent); (3) Allowing Section 8 Vouchers to be used for homeownership (part of our Public Housing Reform Bill).)
5. Homeownership Initiative:
  - \$25 Million for Homeownership Zones
  - Play-by-the-Rules Homeownership Initiative (A homeownership proposal to provide assistance to 10,000 families who have track record of paying rent on time but have some impediment to buying their own home.)
  - Homeownership Opportunity Fund (Loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large scale, affordable housing developments in

distressed  
communities.)

6. Increased Funds for HOME and CDBG (There are \$50 million increases in the budgets of both HOME and CDBG -- two programs that provide housing assistance to local communities.)

7. Fair Lending/Fair Housing

- Promoting Fair Lending (This proposal -- still be finalized -- would include: (1) an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals; (2) issuance of guidance by banking regulators on certain key credit scoring issues and, possibly, on risk-based pricing; (3) a Presidential call to obtain more data on reasons for home mortgage loan denials; and (4) collection of race and income data as part of the Equal Credit Opportunity Act/CRA small business and small farm lending report requirement.)

- Fair Housing (Budget includes about \$52 million for fair housing enforcement so that we ensure that HUD meets the President's pledge to double Fair Housing Enforcement actions, and we can put in place a new system of Metropolitan Area Testing to root out the vestiges of housing discrimination.)

8. Reannounce Homeless Assistance Budget (On Dec. 24, we released the homeless assistance budget. The President could reannounce that there is a 40-percent increase in this part of the budget.)

9. CRA (One of the Administration's greatest accomplishments that has gotten very little recognition is CRA. The President could highlight the enormous impact CRA has had on Wall Street investing in community development.)

10. Education Opportunity Centers (Budget includes \$10 million for Rep. Waters proposal to expand the Neighborhood Network program which currently places computer learning centers in privately-owned assisted housing developments.)

11. Round II of Empowerment Zones (Announce plan for Round II of Empowerment Zones -- VP still needs to make decision. Also announce \$150 million per year or \$1.5 billion over ten years in EZ funding.)

12. CDFI Increase (Reannounce 50% increase in CDFI fund -- we have already announced it at S. Bronx event in December and with Worker/Community Adjustment package in November.)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 11:09:45.00

SUBJECT: POTUS NYC Event

TO: WEINSTEIN\_P ( WEINSTEIN\_P @ A1 @ CD @ LNGTWY [ UNKNOWN ] ) (OPD)  
READ:UNKNOWN

TO: Christa Robinson ( CN=Christa Robinson/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Jake Siewert ( CN=Jake Siewert/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 11:18:40.00

SUBJECT: Michael Barr and Treasury

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Michael Barr called me yesterday complaining about not being invited to your meeting on the LIHTC, which is their baby. They need to be involved, without them, this doesn't happen.

Please make certain they are included in everything. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jake Siewert ( CN=Jake Siewert/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 18:59:37.00

SUBJECT: Re: POTUS NYC Event

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

I don't like #1 -- the HUD increase. It just sounds like we are building a bigger bureaucracy.

I like the LIHTC expansion, and Kaplan thought that Bruce liked it as well. It's a good follow-up to the Charlotte Street event.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Christa Robinson ( CN=Christa Robinson/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 11:59:08.00

SUBJECT: POTUS NYC Event

TO: Ruby Shamir ( CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TO: Stacie Spector ( CN=Stacie Spector/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TO: Ann F. Lewis ( CN=Ann F. Lewis/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TEXT:

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----- Forwarded by Christa Robinson/OPD/EOP on 01/08/98  
11:53 AM -----

Paul J. Weinstein Jr.  
01/08/98 11:18:00 AM

Record Type: Record

To: Christa Robinson

cc:

Subject: POTUS NYC Event

Message Creation Date was at 8-JAN-1998 11:18:00

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 11:08:43.00

SUBJECT: LIHTC

TO: Christa Robinson ( Christa Robinson @ EOP @ LNGTWY [ OPD ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Jake Siewert ( CN=Jake Siewert/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Did you talk to Ann Lewis about this. We are getting lots of pressure from VP's office regarding a decision. I have not yet talked to Bruce yet. Gene hasn't made a decision yet either.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 8-JAN-1998 11:19:00.00

SUBJECT: POTUS NYC Event

TO: Christa Robinson ( Christa Robinson @ EOP @ LNGTWY [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
01/08/98 11:18 AM -----

Jonathan Orszag

01/08/98 11:09:00 AM

Record Type: Record

To: Paul J. Weinstein Jr.

cc:

Subject: POTUS NYC Event

Message Creation Date was at 8-JAN-1998 11:09:00

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- \$25 Million for Homeownership Zones

- Play-by-the-Rules Homeownership Initiative (A homeownership proposal to provide assistance to 10,000 families who have track record of paying rent on time but have some impediment to buying their own home.)

- Homeownership Opportunity Fund (Loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large scale, affordable housing developments in distressed communities.)

6. Increased Funds for HOME and CDBG (There are \$50 million increases in the budgets of both HOME and CDBG -- two programs that provide housing assistance to local communities.)

## 7. Fair Lending/Fair Housing

- Promoting Fair Lending (This proposal -- still be finalized -- would include: (1) an examination of the impact of credit scoring and risk-based pricing on the availability of credit/capital to lower-income and minority individuals; (2) issuance of guidance by banking regulators on certain key credit scoring issues and, possibly, on risk-based pricing; (3) a Presidential call to obtain more data on reasons for home mortgage loan denials; and (4) collection of race and income data as part of the Equal Credit Opportunity Act/CRA small business and small farm lending report requirement.)

- Fair Housing (Budget includes about \$52 million for fair housing enforcement so that we ensure that HUD meets the President's pledge to double Fair Housing Enforcement actions, and we can put in place a new system of Metropolitan Area Testing to root out the vestiges of housing discrimination.)

8. Reannounce Homeless Assistance Budget (On Dec. 24, we released the homeless assistance budget. The President could reannounce that there is a 40-percent increase in this part of the budget.)

9. CRA (One of the Administration's greatest accomplishments that has gotten very little recognition is CRA. The President could highlight the

enormous  
impact CRA has had on Wall Street investing in community development.)

10. Education Opportunity Centers (Budget includes \$10 million for Rep. Waters proposal to expand the Neighborhood Network program which currently places computer learning centers in privately-owned assisted housing developments.)

11. Round II of Empowerment Zones (Announce plan for Round II of Empowerment Zones -- VP still needs to make decision. Also announce \$150 million per year or \$1.5 billion over ten years in EZ funding.)

12. CDFI Increase (Reannounce 50% increase in CDFI fund -- we have already announced it at S. Bronx event in December and with Worker/Community Adjustment package in November.)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Francis S. Redburn ( CN=Francis S. Redburn/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME: 9-JAN-1998 11:39:47.00

SUBJECT: Appropriations Language for ROC

TO: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

CC: David\_M.\_Gibbons@HUD.GOV ( David\_M.\_Gibbons@HUD.GOV @ INET [ UNKNOWN ] )

READ:UNKNOWN

CC: Katherine L. Meredith ( CN=Katherine L. Meredith/OU=OMB/O=EOP@EOP [ OMB ] )

READ:UNKNOWN

CC: Joslyn G. Mack ( CN=Joslyn G. Mack/OU=OMB/O=EOP@EOP [ OMB ] )

READ:UNKNOWN

CC: Paul\_A.\_Leonard@HUD.GOV ( Paul\_A.\_Leonard@HUD.GOV @ INET [ UNKNOWN ] )

READ:UNKNOWN

CC: James F. Jordan ( CN=James F. Jordan/OU=OMB/O=EOP@EOP [ OMB ] )

READ:UNKNOWN

TEXT:

After talking with Paul and hearing his arguments for including the \$20M for ROC in appropriations language, we have agreed to make this change and add the language. Jim and Katherine, please make sure that this is reflected in the next pass.

Emil, Joslyn asked me to tell you that the revenue estimates for LIHTC are preliminary. We don't have Treasury's final estimates.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ricardo M. Gonzales ( CN=Ricardo M. Gonzales/O=OVP [ UNKNOWN ] )

CREATION DATE/TIME:12-JAN-1998 11:41:12.00

SUBJECT: Re: Member notification on Low-Income Housing Tax Credit announcement

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Do you have staff contact names for any of these Members?

Jonathan Orszag @ EOP

01/12/98 10:05:45 AM

Record Type: Record

To: Ricardo M. Gonzales/OVP

cc:

Subject: Member notification on Low-Income Housing Tax Credit announcement

On the Low-Income Housing Tax Credit, here the biggest supporters:

HOUSE:

Dems:

Rangel (someone should call his office today and tell them we are doing an announcement tomorrow... he's a big supporter of the credit)

Kennelly

Cardin

Becerra

Coyne

Tanner

Republicans:

Nancy Johnson

Weller

Houghton

Ensign

Lazio (I can do this one)

Metcalf

English

SENATE:

Dems:

Graham (I can do this one)

Sarbanes

Moynihan

Daschle

Republicans:

D'Amato

Chaffee

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:12-JAN-1998 17:08:55.00

SUBJECT: LIHTC Paper

TO: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D53]MAIL47473611K.026 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

**EXPANDING THE LOW-INCOME HOUSING TAX CREDIT:  
HELPING DEVELOP MORE AFFORDABLE RENTAL HOUSING IN URBAN AND RURAL COMMUNITIES**  
*January 13, 1998*

Today, Vice-President Gore Will Announce That the Administration's FY99 Budget Includes A Major Expansion of the Low-Income Housing Tax Credit Which Will Help Spur The Private-Sector to Develop More Affordable Rental Housing for Low-Income Americans. *President Clinton and Vice-President Gore's proposal to expand the Low-Income Housing Tax Credit (LIHTC) builds on their successful support to make the credit permanent in 1993, and is a key part of their agenda to empower communities, encourage the development of more affordable housing, and help provide the spark of private enterprise to distressed areas.*

- **Increasing the Cap on the LIHTC from \$1.25 Per Capita to \$1.75 Per Capita.** Since the creation of the LIHTC in 1986, each state has been provided \$1.25 per capita of housing tax credits to allocate to developers of affordable housing. Even though building costs have increased nearly 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. President Clinton and Vice-President Gore will propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita — restoring the value of the credit to its 1986 level. *This proposal will cost \$1.6 billion over five years and is fully paid for in the Clinton-Gore Administration's FY99 budget.*
- **This Expansion Will Help Develop An Additional 150,000-180,000 Affordable Housing Units Over the Next Five Years.** Estimates suggest that the LIHTC currently helps develop 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will mean an additional 150,000-180,000 quality rental housing units for low-income American families during the next five years.
- **The Low-Income Housing Tax Credit Works.** Until the LIHTC was made permanent by President Clinton and Vice-President Gore in 1993, it was not working efficiently. With Congress extending the credit for only short periods of time — the credit was set to expire in 1989, then 1990, then 1991, and then 1992 — investors were not always willing to put money down for a long-term chance on low-income housing. Now, with the credit permanent, it is nearly fully utilized: in 1996, 97 percent of the available credits were allocated — the remaining were either carried over to 1997 or reallocated among the states.
  - *Washington Post, October 19, 1995:* “The program’s goal is to produce rental housing for poor people, and by almost any measure it has been wildly successful.”
  - *Chicago Sun-Times, December 21, 1997:* “The [Low-Income Housing] tax credit is one of the few Washington success stories. It helps construct new housing for low-income tenants as a public-private partnership... it is exactly the kind of program Americans should be demanding of the federal government.”
- **Expanding the LIHTC Is Necessary To Meet the Demand for the Credit and the Demand for Affordable Housing.** While state housing agencies had \$392 million worth of tax credits to allocate, developers *requested* more than \$1.1 billion in credits in 1996 — that means that demand for the credits exceed supply by nearly 3 times. With such excess demand, an expanded LIHTC is needed and competition will remain fierce for the additional credits.

Moreover, there are an estimated 5 million American families living in inadequate housing. Expanding the LIHTC — along the rest of the Clinton-Gore Administration's agenda to empower communities — helps to address the housing needs of American families.

- **The LIHTC Helps Low-Income Americans.** The LIHTC must help low-income American families: developers have a choice of having either at least 20 percent of their renters have incomes below 50 percent of the area median income or at least 40 percent with incomes below 60 percent of the area median income. According to GAO, about 75 percent of tax credit households met HUD's definition of "very-low income" — that is, their incomes were below 50 percent of the area's median income. Indeed, GAO estimated that the average housing credit renter earns only \$13,300 per year — that's, on average, 37 percent of the area median income. The tax credit helps to lower the cost of rent: the average monthly rent was about \$450 for these households.

#### HOW DOES THE LOW-INCOME HOUSING TAX CREDIT WORK?

- ➔ **The Credit Is Administered By The States.** The Low-Income Housing Tax Credit functions similarly to a block grant to State housing agencies. Currently, each state is permitted to allocate a certain amount of tax credits annually based on its population (\$1.25 of credits per capita). Each state devises its own allocation plans, reflecting its own housing needs. In nearly all states, demand for the credits far exceeds their supply, thus creating the environment where project sponsors compete against one another to receive them. Each state chooses the projects that most efficiently serve low-income households.
- ➔ **How Are Projects Financed?** A developer usually finances a low-income housing project in part by using a private mortgage, in part using equity paid into the project from investors who receive the tax credit, and in part from other sources including local and state governments. Developers "sell" the tax credits to private investors — often organized into partnerships by syndicators such as Local Initiatives Support Coalition (LISC) and Enterprise Foundation — who use the credits to offset their income tax liability. In return for the credits, the private investors provide capital financing for the projects, filling the gap between the development costs and the non-tax credit financing. The equity paid into a project is less than the sum of the tax credits, providing the investors with a rate of return over 10 years.
- ➔ **Using the Tax Credits.** The maximum annual credits that states may award is about 9 percent of development costs for new construction (or substantial rehabilitation) or approximately 4 percent for building acquisition and rehabilitation and federally subsidized construction. These credits are provided annually for 10 years. Since a dollar saved tomorrow is not as valuable as a dollar saved today, this amounts to 70 percent of the development costs of new rental housing and 30 percent of housing receiving other subsidies or rehabilitation of existing housing in *present value terms*. Each year about \$300 million worth of new credits are available. Since the credits are provided for 10 years, the aggregate annual cost of annual credits to the Federal government is currently about \$3 billion.
- ➔ **Ensuring Compliance.** The LIHTC is a performance-based incentive, because investors can claim the credit only if the housing is built on schedule. Moreover, once housing units have been built, state agencies are responsible for monitoring the projects for compliance with Federal requirements concerning household income, rents, and project habitability.

Noncompliance with these requirements may result in tax credit recapture or the denial of previously issued or used credits. A GAO study found a good record of compliance.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:13-JAN-1998 18:56:37.00

SUBJECT: Low-Income Housing Tax Credit

TO: Matthew J. Bianco ( CN=Matthew J. Bianco/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Can you get the fact sheets to Daschle and Gephardt?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:13-JAN-1998 18:54:01.00

SUBJECT: Low-Income Housing Tax Credit

TO: Janet Murguia ( CN=Janet Murguia/OU=WHO/O=EOP @ EOP [ WHO ] )

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D36]MAIL4753472IU.026 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Matthew J. Bianco ( CN=Matthew J. Bianco/O=OVP [ UNKNOWN ] )

CREATION DATE/TIME:14-JAN-1998 09:28:23.00

SUBJECT: Re: Low-Income Housing Tax Credit

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

They should have gotten them, but I will fax them again . . . no problem!

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:15-JAN-1998 08:38:38.00

SUBJECT: LIHTC

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TO: michael.barr ( michael.barr @ treas.sprint.com @ inet [ UNKNOWN ] )

READ:UNKNOWN

TEXT:

Hope you both saw the Post editorial supporting the expansion in the LIHTC. While they said that they thought there were better means to achieve the ends (read: spending programs), this one was a "good idea" and had a chance of getting through Congress.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed ( CN=Bruce N. Reed/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:15-JAN-1998 10:23:30.00

SUBJECT: Re: LIHTC

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

good work

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jennifer L. Klein ( CN=Jennifer L. Klein/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:15-JAN-1998 11:42:33.00

SUBJECT:

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Any news on the Low-Income Housing Tax Credit? Are we doing it?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP [ UNKNOWN ] )

CREATION DATE/TIME:15-JAN-1998 13:01:12.00

SUBJECT: LIHTC

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

I would like to follow-up with USCM, League of Cities and the NGA. What paper can I send them on the LIHTC.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:15-JAN-1998 09:32:11.00

SUBJECT: LIHTC

TO: Jose Cerda III ( CN=Jose Cerda III/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TO: Bruce N. Reed ( CN=Bruce N. Reed/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
01/15/98 09:30 AM -----

Jonathan Orszag  
01/15/98 08:38:30 AM  
Record Type: Record

To: michael.barr @ treas.sprint.com @ inet, Paul J. Weinstein Jr./OPD/EOP

cc:

Subject: LIHTC

Hope you both saw the Post editorial supporting the expansion in the LIHTC. While they said that they thought there were better means to achieve the ends (read: spending programs), this one was a "good idea" and had a chance of getting through Congress.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:16-JAN-1998 14:32:52.00

SUBJECT: For Weekly Report

TO: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Vice President's Low-Income Housing Tax Credit Announcement in Chicago:

On Tuesday, the Vice President announced that the budget includes a 40-percent expansion of the low-income housing tax credit. We worked closely with the Vice President's office to put this event together. The press coverage was positive, although it was not extensive: the USA Today and the Wall Street Journal ran favorable articles, but the other major papers did not run stories. And the Washington Post ran an editorial supporting the expansion, saying that the proposal was a "good idea." Initial reactions from the Hill suggest that our proposal will have strong bipartisan support. Rep. Lazio (R-NY) made positive comments in the USA Today and the offices we spoke with -- from Rep. Rangel's to Sen. D'Amato's -- were all very supportive. The groups -- especially LISC, Enterprise Foundation, and the National Council of State Housing Agencies -- were all excited about our proposal. Moreover, Mayor Daley cited the Vice President's commitment to America's cities on issues such as the low-income housing tax credit and brownfields as his reasons for endorsing him for the 2000 election.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jennifer L. Klein ( CN=Jennifer L. Klein/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:20-JAN-1998 12:19:45.00

SUBJECT: Re: Child Care and the LIHTC

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Elena Kagan ( CN=Elena Kagan/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

That is also what I've heard. Orzag seems optimistic that this will get done.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:20-JAN-1998 11:25:18.00

SUBJECT: Re: Response to Child Care/Low-Income Housing Tax Credit Questions

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:20-JAN-1998 11:24:48.00

SUBJECT: Response to Child Care/Low-Income Housing Tax Credit Questions

TO: Elena Kagan ( CN=Elena Kagan/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Jennifer L. Klein ( CN=Jennifer L. Klein/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

You asked me about the status of the

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:20-JAN-1998 13:04:13.00

SUBJECT: Re: Child Care and the LIHTC

TO: Jennifer L. Klein ( CN=Jennifer L. Klein/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Yeah, I think so.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:23-JAN-1998 18:55:02.00

SUBJECT: Re: SOTU background paragraphs

TO: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Thanks. We should do one on the LIHTC as well. I will draft.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:23-JAN-1998 17:26:04.00

SUBJECT: SOTU

TO: Michael.Barr ( Michael.Barr @ Treas.Sprint.Com @ inet [ UNKNOWN ] )

READ:UNKNOWN

CC: Elizabeth J. Potter ( CN=Elizabeth J. Potter/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

CC: Jim Kohlenberger ( CN=Jim Kohlenberger/O=OVP @ OVP [ UNKNOWN ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Right now there is no paragraph on Empowerment. This is what I submitted to Waldman last week:

"Last month I visited the South Bronx and saw a neighborhood transformed from despair to hope. The South Bronx is a testament to the private-public partnerships that are rebuilding are distressed communities throughout America. Today, I am calling on Congress to build on these partnerships by expanding the Low-Income Housing Tax Credit, providing flexible grant funds for the Round II Empowerment Zones, increasing the budget for the Community Development Financial Institutions Fund (CDFI), and increasing the funds for programs that open the door to homeownership for all Americans."

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Peter R. Orszag ( CN=Peter R. Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 1-FEB-1998 12:38:04.00

SUBJECT: Budget

TO: Peter A. Weissman ( CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Gene B. Sperling ( CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

Please show to Gene.

----- Forwarded by Peter R. Orszag/OPD/EOP on 02/01/98  
12:40 PM -----

KARL.SCHOLZ @ MS01.DO.treas.sprint.com  
02/01/98 08:56:00 AM

Record Type: Record

To: Peter R. Orszag  
cc:  
Subject: Budget

Date: 02/01/1998 10:56 am (Sunday)  
From: John Karl Scholz  
To: EX.MAIL."Peter\_R.\_Orszag@oa.eop.gov", cohena  
CC: lubickd, talismanj  
Subject: Budget

Amazing news you guys brought me last night. I can't believe this happened.

Having said that, there appears to be little scope for help on the tax side. One generic comment, if we were to make up much of the out-year shortfall on the tax side -- we'd be increasingly vulnerable to the charge that we're raising taxes. We already raise almost \$3 billion more than we cut in the second five years. I think we need to be very careful about pushing that imbalance further.

Child care is the major tax initiative. It is out of the question (I assume) to sunset child care proposals that we have made.

The only costly environmental initiative in the second five years is cars.

We have already announced the phaseout schedule for the new car credit.

School construction only allows new bonds to be issued in the first two years, so there's no way to shave that. Similarly, we can't go lower on the low-income housing tax credit since we already aren't indexing the

\$1.75.

The only place where some out-year saving might materialize on the tax budget is with the Puerto Rico credit. It costs \$935 million in 2006, \$1.66

billion in 2007 and \$1.74 in 2008 (because the existing credit phases out). There are ways to trim the out-year cost of the credit, but doing so will be highly controversial within some quarters of the White House and with some on the Hill. It also makes us more vulnerable to the "tax increase" charge. Please let us know if we need to pursue this.

Karl

===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IT281RDDYO00D2CN@PMDF.EOP.GOV> for "Peter R. Orszag"@oa.eop.gov; Sun, 01 Feb 1998 09:56:58 -0500 (EST)

Received: from storm.eop.gov (storm.eop.gov) by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IT281PIXZK00V3D1@PMDF.EOP.GOV> for Peter\_R.\_Orszag@oa.eop.gov; Sun, 01 Feb 1998 09:56:56 -0500 (EST)

Received: from reston-mx2.telemail.net ([206.229.207.21]) by STORM.EOP.GOV (PMDF V5.1-7 #6879) with SMTP id <01IT28117PRY0010AH@STORM.EOP.GOV> for Peter\_R.\_Orszag@oa.eop.gov; Sun, 01 Feb 1998 09:56:23 -0500 (EST)

X400-Received: by /PRMD=GOV+TREAS/ADMD=TELEMAIL/C=US/; converted (ia5-text) ; Relayed; Sun, 01 Feb 1998 08:56:56 -0500

X400-Received: by /PRMD=GOV+TREAS/ADMD=TELEMAIL/C=US/; converted (ia5-text) ; Relayed; Sun, 01 Feb 1998 08:56:56 -0500

X400-Received: by /PRMD=GOV+TREAS/ADMD=TELEMAIL/C=US/; converted (ia5-text) ; Relayed; Sun, 01 Feb 1998 08:56:56 -0500

X400-Content-type: P2-1984 (2)

X400-MTS-identifier:

[/PRMD=GOV+TREAS/ADMD=TELEMAIL/C=US/;05659010208991/1540523@TREAS]

X400-Originator: KARL.SCHOLZ@MS01.DO.treas.sprint.com

X400-Recipients: Peter\_R.\_Orszag@oa.eop.gov

===== END ATTACHMENT 1 =====

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 3-FEB-1998 15:04:00.00

SUBJECT: Several Issues

TO: Michael.Barr ( Michael.Barr @ Treas.Sprint.Com @ inet [ UNKNOWN ] )

READ:UNKNOWN

CC: Jose Cerda III ( CN=Jose Cerda III/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

1. Child Care/LIHTC proposal -- What is the status of the proposal to promote the availability of child care facilities in low-income neighborhoods that has been floated to the DPC and the NEC? As you know, this proposal would amend the Low Income Housing Tax Credit (LIHTC) Law to permit the tax credit to subsidize common areas within a housing credit property even if that area is made available to individuals who do not reside within the property. The provision could be limited to make sure that the basic purpose of the Housing Credit program would not be undermined. In addition, the proposal would be budget neutral.

I am getting a lot of pressure from the First Lady's Office and from B. Reed regarding this idea. Tax Policy's initial reaction was very negative. They implied that changing this rule would open up a floodgate of other types of facilities that the LIHTC could subsidize in common areas within a housing credit property. I do not understand this analysis, since we are proposing that only child care facilities be eligible.

Do I need to talk to Karl S. about this. I would like to resolve this issue in the next couple of weeks.

2. CDFI Reauthorization -- When do we plan to drop a bill? Let us know so we can see if there is any interest in this issue on the President's or Vice President's behalf. I think the VP might want to do an event.

By the way, I hope you were pleased with the State of the Union. It included CDFI and LIHTC.

3. Tradeable Welfare Tax Credits -- Bruce R. wants to know what Treasury thinks of making the welfare tax credits tradeable. He would like an opinion from your office and Tax Policy as soon as possible. Nothing too long, a page or so would be fine.

As you know, there is currently a tax credit available to businesses when they hire a person off welfare.

The idea of making these tax credits tradeable would permit the business doing the hiring to trade its tax credit to other entities, often called intermediaries or service providers, that do the actual locating and training of the welfare recipients. Often, these intermediaries are not-for-profits.

This is how it would work: A business could give its credit to an intermediary after 6 months if the employee was still working at the company (in other words, demonstrating some type of retention). The premise would be to increase the incentives for small businesses to hire welfare recipients because they would not have to train someone and it would give the business the ability to increase the amount it would pay the intermediary for the finding and training of new employees.

4. CRA and Regulation B -- Last Friday, Gene Sperling and others met with the Greenlining Coalition. The Coalition told Gene that in separate meetings with Rubin, Greenspan, and Levitt, they were led to believe that Treasury and the Federal Reserve would be interested in ways to expand CRA to other sectors of the financial service industry (investment banks, insurance companies, mortgage lenders, etc.). They also suggested that the Treasury Secretary indicated some support for reviewing Reg B. Gene's meeting with this group did not go well, it was very combative, but we are supposed to get back to them in two weeks.

Please respond to the following:

a) Did the Secretary indicate an interest in expanding CRA? What do you know about Greenspan and Levitt's position on this issue?

b) It was my understanding that your fair lending working group rejected taking on

Reg. B. Is that correct? If you did reject that proposal, what was your rationale?

If you did not address Reg B., what do you think of reviewing it. Does Treasury support Gene Ludwig's position and why?

I know this is a lot of material, but we do want to know where the Department is positioned on these matters before we consider moving forward.

Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 2-MAR-1998 18:48:42.00

SUBJECT: March 4 Community empowerment board meeting

TO: Gene B. Sperling ( CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Peter A. Weissman ( CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Russell W. Horwitz ( CN=Russell W. Horwitz/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Apparently Secretaries Cuomo and Glickman are to provide data on the performance of the first-round empowerment zones. You are slated to present an overview of the Administration's FY 1999 community empowerment agenda (I believe the CEB staff is looking for a bit of a pep talk here).

You could take the opportunity to brief Cabinet members on the relevant FY 1999 budget proposals, since many may be unfamiliar with the items outside their agencies, while also urging them to go all out during the appropriations process to secure the necessary funding. Finally, you could acknowledge that much more effort is needed in this area, and note that the NEC and DPC are definitely in the market for additional empowerment proposals. Below is draft paper for the talk; above is a longer memo on FY 99 budget empowerment/urban/housing initiatives.

DRAFT

Community Empowerment Board talk

Empowerment zones represent one of the cornerstones of the Administration's community empowerment agenda. The FY 1999 budget includes a range of other initiatives designed to promote economic opportunity in our nation's most disadvantaged areas, as well as proposals that would make affordable rental housing and homeownership more accessible for low and moderate-income households.

FY 1999 budget initiatives

Flexible funding for second-round empowerment zones. The Administration's FY 1999 budget provides \$170 million for ten years (a total of \$1.7 billion) in mandatory funding for second-round urban and rural EZs--\$100 million per urban zone and \$40 million per rural zone.

Higher cap on the low-income housing tax credit. The Administration's budget calls for increasing the per capita cap on the credit from \$1.25 to \$1.75 (40 percent) at a cost of \$1.6 billion over five years, which should create an additional 150,000-180,000 affordable housing units.

50,000 welfare-to-work housing vouchers. The FY 1999 budget includes \$283 million for 50,000 new vouchers exclusively for people who need housing assistance to make the transition from welfare to employment.

Expansion of the Economic Development Initiative (EDI). The Administration's FY 1999 budget requests \$400 million for EDI, to leverage private sector funding for job-creating projects. EDI funds allow communities to make greater use of HUD's Section 108 loan guarantee program. Under Section 108, HUD guarantees notes held by communities. In return for the HUD guarantees, communities are required to pledge their future CDBG funds as collateral for the Section 108 loans, making some reluctant to access the 108 program. EDI funds can be used to write down interest rates or reduce project costs, thereby making more projects feasible and reducing the risk of a community's defaulting on a Section 108-backed loan.

The Administration plans to use EDI and Section 108 guarantees together to stimulate creation of a true secondary market in economic development loans, by standardizing the underwriting criteria for Section 108-backed project loans and by pooling these loans. This would build on such secondary market activity already underway.

CDFI Expansion. The Administration is requesting a \$45 million increase in CDFI funding (from \$80 million to \$125 million). The increased funding also would be used in part to accelerate development of a secondary market for CDFI loans.

\$20 million for Regional Opportunity Counseling. Under this program, public housing authorities partner with nonprofits to provide counseling to Section 8 certificate and voucher holders, to ensure that they are aware of the full range of housing options. This program also entails recruiting landlords to accept Section 8 families. The Administration is again requesting \$20 million for regional opportunity counseling.

Incentive to Reduce Poverty Concentrations of Housing Certificate and Voucher Families. The FY 1999 budget includes language giving the Secretary of HUD the option to provide bonuses to PHAs for increases in the number of Section 8 voucher and certificate holders moving to lower-poverty areas.

Play-by-the-Rules 8 Homeownership Proposal. The FY 1999 budget for the Neighborhood Reinvestment Corporation includes \$25 million for a new initiative that would make the dream of homeownership more accessible to families who have a good rental history but are currently underserved by

the housing sales market.

**Homeownership Zones.** The FY 1999 budget includes \$25 million for Homeownership Zones. The funding would be used by communities to reclaim abandoned and distressed neighborhoods through the creation of large-scale developments of owner-occupied single-family homes.

**Home Loan Guarantee Program.** This \$11 million initiative would allow States and localities to use HOME funds as collateral to leverage private loans for large-scale affordable housing developments in distressed communities.

**Expand Youthbuild** from \$35 to \$45 million. This program provides high school dropouts age 16-24 with general academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing.

**Access to Jobs and Training.** As part of the National Economic Crossroads Transportation Efficiency Act (NEXTEA) proposal, the Administration seeks to strengthen the vital connection between transportation and employment by proposing an Access to Jobs and Training Initiative. The budget provides \$100 million to assist States, local governments, and non-profits in planning and implementing new transportation services such as van pools to link welfare recipients and other economically disadvantaged persons to jobs.

**Regional Connections.** This initiative, which would be a set-aside within CDBG, would provide funding to metropolitan areas in which a distressed central city and more affluent suburbs together craft regional development strategies. It could complement efforts by the President's Council on Sustainable Development to help regional coalitions in many metropolitan areas manage growth and address other issues requiring regional cooperation.

#### Next steps

Your efforts are absolutely essential if we are to obtain from Congress the dollars needed to make these initiatives a reality. You are the front-line troops in this campaign; we all need to coordinate our legislative efforts in order to secure as much of our FY 1999 empowerment agenda as possible.

While each of these initiatives would represent a positive step, there is still much to be done. The national child poverty rate and income inequality, although declining or stable, remain unacceptably high. Central cities, for example, continue to lag far behind the suburbs in job growth, with much higher poverty rates and, even more disturbing, concentrations of poverty that resist revitalization efforts.

During the coming year, the NEC and DPC will be aggressively seeking agency proposals for further actions the Administration can take, including non-legislative steps, to address the economic and social needs of disadvantaged communities. We are currently especially interested in proposals in the following areas:

1. Methods of effectively urging nonbank financial institutions (e.g., mutual funds, insurance and finance companies) to increase their investment in low-income communities. We want to persuade these institutions to act in a manner consistent with the underlying principles, but not the particular provisions, of the Community Reinvestment Act (which is limited to banks and thrifts).

2. Broad-based incentives for commercial development. The Administration's FY 1999 budget included tax incentives targeted to the second-round empowerment zones, as well as an expansion of the low-income housing tax credit. The budget did not include a commercial development tax incentive as widely available as the LIHTC. We would like to explore options along these lines. ===== ATTACHMENT 1 =====

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS\_EXT:[ATTACH.D75]MAIL46427706R.026 to ASCII,  
The following is a HEX DUMP:

===== END ATTACHMENT 1 =====

DRAFT

**MEMORANDUM FOR THE PRESIDENT**

**FROM: BRUCE REED  
GENE SPERLING**

**RE: Major New Urban/Economic Empowerment Proposals  
in the FY 1999 Budget**

Below is a compilation of the major new economic empowerment, urban and housing initiatives in the FY 1999 budget. Please let us know if you have any questions or comments.

**ECONOMIC EMPOWERMENT**

***Flexible funding for second-round empowerment zones.*** The Administration's FY 1999 budget provides \$150 million for ten years in mandatory funding for second-round urban EZs. This level of funding (a total of \$1.5 billion over ten years) would provide each of the 15 second-round urban zones with the same level of grant support--\$100 million--as the first round zones. The dollars could be used for a wide range of activities, including economic development and housing projects, project-based rental assistance, job training and other social services. The budget also includes similar flexible funding (\$20 million per year for ten years) for the five second-round rural zones--a total of \$40 million per rural zone.

Although the Administration, in the FY 1998 budget, requested \$100 million in discretionary flexible funding for second-round urban zones, the 1998 Appropriations bill included only \$5 million in EZ planning funds, with no guarantee of program funding for FY 1999.

Most of those involved in the Empowerment Zones program believe that communities need access to a substantial pool of flexible funding in order to design and implement strategic plans tailored to their particular economic conditions and needs.

***50,000 welfare-to-work housing vouchers.*** The FY 1999 budget includes \$283 million for 50,000 new vouchers exclusively for people who need housing assistance to make the transition from welfare to employment.

This would be a new program, distinct from the existing Section 8 tenant-based program. These welfare-to-work vouchers would be distributed on a competitive rather than a formula basis to public housing agencies that had devised a plan, in consultation with the local welfare agency and Welfare-to-Work grantee, for using the vouchers to further the goals of welfare reform (e.g. to help welfare recipients take or retain jobs, or allow them to move to areas where jobs can be found). Local agencies would have great flexibility to design and operate the welfare-to-work

voucher program within broad national guidelines, to encourage maximum local creativity and innovation. This initiative should produce valuable evidence about the most effective methods of using housing assistance to promote employment among the disadvantaged.

*An additional 50,000 new vouchers for priority populations.* The budget also includes 50,000 new housing vouchers largely targeted to especially needy populations, including homeless persons with disabilities and families in need of housing assistance to remain together (e.g., to prevent or end a foster care placement).

***Expansion of the Economic Development Initiative (EDI).*** The Administration's FY 1999 budget requests \$400 million for EDI, to leverage private sector funding for job-creating projects. In 1998 Congress funded EDI at \$138 million, including \$100 million for Congressionally earmarked projects. EDI funds allow communities to make greater use of HUD's Section 108 loan guarantee program. Under Section 108, HUD guarantees notes held by communities. In return for the HUD guarantees, communities are required to pledge their future CDBG funds as collateral for the Section 108 loans, making some reluctant to access the 108 program. EDI funds can be used to write down interest rates or reduce project costs, thereby making more projects feasible and reducing the risk of a community's defaulting on a Section 108-backed loan.

The Administration plans to use EDI and Section 108 guarantees together to stimulate creation of a true secondary market in economic development loans, by standardizing the underwriting criteria for Section 108-backed project loans and by pooling these loans. This would build on such secondary market activity already underway.

***CDFI Expansion.*** The Administration is requesting a \$45 million increase in CDFI funding (from \$80 million to \$125 million), which would allow the CDFI Fund to provide additional financial assistance to the growing CDFI field and to expand a training and technical assistance initiative. The increased funding also would be used in part to accelerate development of a secondary market for CDFI loans, complementing the EDI-funded effort.

***Increased Economic Adjustment Assistance.*** The FY 1999 budget provides the Department of Commerce's Economic Development Administration (EDA) an additional \$50 million annually for its Economic Adjustment Assistance grant program, to, among other purposes, create a new Office of Community Adjustment Assistance. This office will serve as the Federal government's first point of contact with communities adversely impacted by trade agreements and/or major plant closings and will coordinate rapid assistance from a host of federal agencies. The office will ensure that communities are aware of all Federal resources available to them and that the Federal government responds to their needs in a rational and coordinated way. The increased funding also provides for **additional planning and implementation grants** to allow affected communities to begin the process of economic recovery and growth.

***Expanded Youthbuild.*** This program provides high school dropouts age 16-24 with general

academic and job skills training, as well as apprenticeships constructing and rehabilitating affordable housing. The 1998 Appropriations bill included \$35 million for Youthbuild, as a set-aside within the Community Development Block Grant (CDBG) program. The FY 1999 budget requests \$45 million in separate funding for Youthbuild (i.e., outside CDBG).

***Access to Jobs and Training.*** As part of the National Economic Crossroads Transportation Efficiency Act (NEXTEA) proposal, the Administration seeks to strengthen the vital connection between transportation and employment by proposing an Access to Jobs and Training Initiative. The budget provides \$100 million to assist States, local governments, and non-profits in planning and implementing new transportation services such as van pools to link welfare recipients and other economically disadvantaged persons to jobs.

***Regional Connections.*** This initiative, which would be a set-aside within CDBG, would provide funding to metropolitan areas in which a distressed central city and more affluent suburbs together craft regional development strategies. It could complement efforts by the President's Council on Sustainable Development to help regional coalitions in many metropolitan areas manage growth and address other issues requiring regional cooperation.

#### EXPANDING THE SUPPLY OF AFFORDABLE RENTAL HOUSING

***Higher cap on the low-income housing tax credit.*** The IRS allocates annually to each State an amount of low-income housing tax credits equal to \$1.25 per resident; the nationwide cap is accordingly \$1.25 per capita. This limit has not been adjusted since the credit was created in 1986; the purchasing power of the credit has declined by about 45 percent since that date. The Administration's budget calls for increasing the limit to \$1.75 per capita, at a cost of \$1.6 billion over five years.

#### MORE DIVERSE HOUSING OPPORTUNITIES

***Regional Opportunity Counseling.*** Under this program, public housing authorities partner with nonprofits to provide counseling to Section 8 certificate and voucher holders, to ensure that they are aware of the full range of housing options. Studies have found that when Section 8 families are ready to move, they tend to search for housing in areas with which they are familiar. Unfortunately, these areas tend to be similar, and in close physical proximity, to their original high-poverty neighborhoods. This program also entails recruiting landlords to accept Section 8 families.

HUD allocated \$36.7 million for the 16 regional opportunity counseling sites in FY 1996, and the Administration requested an additional \$20 million for FY 1998 (as a set-aside in the Section 8 tenant-based account) to expand the program to additional sites. The FY 1998 VA-HUD Appropriations Act did not, however, include this set-aside. The Administration is again requesting \$20 million for regional opportunity counseling; this additional ROC funding should be a priority in the FY 1999 VA-HUD appropriations process.

*Incentive to Reduce Poverty Concentrations of Housing Certificate and Voucher Families.* The FY 1999 budget includes language giving the Secretary of HUD the option to provide bonuses to PHAs for increases in the number of Section 8 voucher and certificate holders moving to lower-poverty areas. This portability bonus would encourage PHAs to undertake additional outreach efforts to landlords in low-poverty areas to identify more housing options for voucher and certificate holders. The bonus would apply to moves both within and outside the PHA's service area.

*“Play-by-the-Rules” Homeownership Proposal.* The FY 1999 budget for the Neighborhood Reinvestment Corporation includes \$25 million for a new initiative that would make the dream of homeownership more accessible to families who have a good rental history but are currently underserved by the housing sales market. Under this initiative, 10,000 lower-income and often minority families who are currently renting would be provided with homeownership counseling, training, and flexible assistance for downpayment or closing costs, second mortgage loans for debt reduction, or rehabilitation loans.

*Homeownership Zones.* The FY 1999 budget includes \$25 million for Homeownership Zones. The funding would be used by communities to reclaim abandoned and distressed neighborhoods through the creation of large-scale developments of owner-occupied single-family homes. *Funds could be used for property acquisition, housing construction, housing rehabilitation, demolition, site preparation, homeownership counseling, relocation, housing marketing, activities to further fair housing, and other activities essential to homeownership.*

*Home Loan Guarantee Program.* This \$11 million initiative would allow States and localities to use HOME funds as collateral to leverage private loans for large-scale affordable housing developments in distressed communities. Under this program, HUD would guarantee private loans of up to five times the jurisdiction's most recent HOME allocation.

*Higher FHA loan limits.* Increasing the loan limits would enable FHA to play a more significant role in the middle-income housing market, as well as generating revenues needed for other components of the Administration's homeownership agenda.

#### FAIR HOUSING

*Fair housing testing initiative.* Paired testing, in which otherwise identical white and minority testers (e.g., same income, type of job, job experience) approach realtors or landlords, is a particularly effective method of detecting housing discrimination. This new HUD initiative would fund paired testing, in the sales and rental markets, by non-profit fair housing organizations in 20 metropolitan areas. These tests would be followed by examination,

dissemination and discussion of the results. At a modest cost of \$10 million, this effort would detect and deter housing discrimination while also producing invaluable evidence about the extent of such discrimination.

The Fair Housing Council of Greater Washington, with the help of HUD grant funding, recently conducted paired tests in the Washington area.

- The Council found that whites receive preferential treatment in the rental and purchase of housing between 33 and 47 percent of the time.
- White testers were quoted lower rents for the same apartments, shown more apartments or houses, and taken off waiting lists before minority testers who applied earlier. In other words, African Americans and Hispanics face discrimination (e.g., questions about income and credit histories not posed to whites) in one-third to half of their interactions in the Washington area rental and sales markets.

These disturbing results, however, led to rapid action. Montgomery County, for example, pledged \$400,000 for a two-year initiative to perform its own tests of the market to identify landlords and real estate agents who use discriminatory practices. This initiative should have a similar impact in other metropolitan areas.

***Enhanced enforcement funding.*** In addition to the \$10 million for the testing initiative, the FY 1999 budget includes a \$12 million increase in flexible funding for HUD's Fair Housing Initiatives program (FHIP) and Fair Housing Assistance Program (FHAP). This funding supports Secretary Cuomo's "One America" initiative, including his pledge to, in the second term, double the number of enforcement actions taken by HUD with regard to housing discrimination complaints (relative to the number for the first term).

#### ASSISTING DISADVANTAGED URBAN POPULATIONS

***Increased funding for the homeless.*** The FY 1999 budget proposes \$1.150 billion for homeless-related assistance, an increase of \$327 million over the FY 1998 level, for 125,000 new transitional beds, with services, and 60,000 permanent beds, also linked to services. The \$1.150 billion also includes funding for 34,000 new housing vouchers to enable homeless persons who otherwise would remain in emergency or transitional facilities or on the streets to find long-term housing linked to appropriate services.

***Lead Hazard Reduction Program/Healthy Homes Initiative.*** The Administration is requesting \$25 million for a "Healthy Homes Initiative." This will supplement HUD's Lead-Based Paint Hazard Control Grant Program, currently funded at \$50 million, which provides grants to States and local governments for abatement of home-based lead hazards and education and training on lead hazard reduction. The "Healthy Homes" funding would allow HUD to develop new methods of controlling multiple housing-related environmental diseases and hazards that threaten the health of children in cities.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 9-MAR-1998 16:48:44.00

SUBJECT: memo to Treasury and others on community revitalization tax credit

TO: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
03/09/98 04:48 PM -----

Emil E. Parker

03/09/98 03:27:57 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP

cc:

Subject: memo to Treasury and others on community revitalization tax credit

I plan to send out the memo below later today. Any objections?

TO: MICHAEL BARR  
KARL SCHOLZ  
JACQUIE LAWING  
PAUL LEONARD  
JULIAN POTTER

FROM: EMIL PARKER  
PAUL WEINSTEIN

CC: CECILIA ROUSE  
SARAH ROSEN

Gene believes strongly that we can and should do more to promote investment in low-income communities, especially inner-city areas; Bruce shares this view. Accordingly, the DPC and NEC will be holding small meetings to consider particular approaches to achieving this end (in addition to the larger community empowerment group gatherings).

The Local Initiatives Support Corporation has proposed a community revitalization tax credit (CRTC), modeled after the low income housing tax credit but applying to commercial or industrial activity in disadvantaged areas. The credit would generally be limited to building construction.

rehabilitation and acquisition expenses. The CRTTC legislation has been introduced by Rep. English in the House and Sen. Hutchison in the Senate, with bipartisan co-sponsors in each chamber.

The proposal enjoys support from the U.S. Conference of Mayors (especially Mayor Rendell) and the American Association of Enterprise Zones, among others. While the proposal itself may be seriously flawed, it can serve as the basis for discussion of broad-based methods to, through the tax system, enhance incentives for investment in distressed neighborhoods.

A description of the community revitalization tax credit is attached. Gay Joshlyn from our office will be calling to set up a meeting later this week.

### Questions for discussion

Should a community revitalization tax credit be limited to land acquisition and building construction, rehabilitation and acquisition expenses, or should the eligible costs also include spending on, e.g., equipment and furniture?

Are start-up costs the (or at least a) major obstacle to new business formation in low-income communities?

Should a community revitalization tax credit be modeled after the low-income housing tax credit -- i.e., a limited amount of credits allocated to States, which in turn distribute them to promising business projects in low-income areas -- or should the credit be generally available to firms in those areas? Should it be generally available (i.e., not allocated by States), but only to firms in low-income areas that also meet specified criteria?

Is there a need for a syndication component, given that these credits, even if allocated by State agencies, would be directed to for-profit concerns? Would a syndication component allow firms to obtain up-front capital not otherwise available?

What about recapture provisions, particularly in the case of an up-front credit? Would the owner be required to maintain the enterprise in the low-income area for a minimum period? What if the business fails? Would the owner be obligated to repay a portion of an up-front tax credit taken?

Can the geographical targeting be made sufficiently tight to adequately address substitution concerns?

Would the credit be in addition to any applicable deductions?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Andrea Kane ( CN=Andrea Kane/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 9-MAR-1998 14:12:06.00

SUBJECT: Re: Meeting with Karl and company on syndication, etc. of the welfare-to-work tax credit

TO: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Diana Fortuna ( CN=Diana Fortuna/OU=OPD/O=EOP [ OPD ] )

READ:UNKNOWN

CC: Mary L. Smith ( CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: WEINSTEIN\_P ( WEINSTEIN\_P @ A1 @ CD @ VAXGTWY [ UNKNOWN ] ) (OPD)

READ:UNKNOWN

CC: Thomas L. Freedman ( CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

CC: Cynthia A. Rice ( CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Emil, I can make it. Is this the next rendition of the discussion on tradeable tax credits that Paul, Mary and others had been trying to get Treasury's input on for a while?

Emil E. Parker

03/09/98 02:01:06 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP

cc:

Subject: Meeting with Karl and company on syndication, etc. of the welfare-to-work tax credit

Karl Scholz has scheduled a meeting for this Thursday at 10:00 a.m. in his office (room 1326 of main Treasury) to discuss methods of making the welfare-to-work tax credit available to not-for-profit entities; e.g., through a syndication mechanism similar to that of the low-income housing tax credit. Can you two attend?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 9-MAR-1998 14:01:15.00

SUBJECT: Meeting with Karl and company on syndication, etc. of the welfare-to-work tax credit

TO: Andrea Kane ( CN=Andrea Kane/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TO: Cynthia A. Rice ( CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

Karl Scholz has scheduled a meeting for this Thursday at 10:00 a.m. in his office (room 1326 of main Treasury) to discuss methods of making the welfare-to-work tax credit available to not-for-profit entities; e.g., through a syndication mechanism similar to that of the low-income housing tax credit. Can you two attend?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 9-MAR-1998 16:48:34.00

SUBJECT: memo to Treasury and others on community revitalization tax credit

TO: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on  
03/09/98 04:48 PM -----

Emil E. Parker

03/09/98 03:27:57 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP

cc:

Subject: memo to Treasury and others on community revitalization tax credit

I plan to send out the memo below later today. Any objections?

TO: MICHAEL BARR  
KARL SCHOLZ  
JACQUIE LAWING  
PAUL LEONARD  
JULIAN POTTER

FROM: EMIL PARKER  
PAUL WEINSTEIN

CC: CECILIA ROUSE  
SARAH ROSEN

Gene believes strongly that we can and should do more to promote investment in low-income communities, especially inner-city areas; Bruce shares this view. Accordingly, the DPC and NEC will be holding small meetings to consider particular approaches to achieving this end (in addition to the larger community empowerment group gatherings).

The Local Initiatives Support Corporation has proposed a community revitalization tax credit (CRTC), modeled after the low income housing tax credit but applying to commercial or industrial activity in disadvantaged areas. The credit would generally be limited to building construction,

rehabilitation and acquisition expenses. The CRTTC legislation has been introduced by Rep. English in the House and Sen. Hutchison in the Senate, with bipartisan co-sponsors in each chamber.

The proposal enjoys support from the U.S. Conference of Mayors (especially Mayor Rendell) and the American Association of Enterprise Zones, among others. While the proposal itself may be seriously flawed, it can serve as the basis for discussion of broad-based methods to, through the tax system, enhance incentives for investment in distressed neighborhoods.

A description of the community revitalization tax credit is attached. Gay Joshlyn from our office will be calling to set up a meeting later this week.

#### Questions for discussion

Should a community revitalization tax credit be limited to land acquisition and building construction, rehabilitation and acquisition expenses, or should the eligible costs also include spending on, e.g., equipment and furniture?

Are start-up costs the (or at least a) major obstacle to new business formation in low-income communities?

Should a community revitalization tax credit be modeled after the low-income housing tax credit -- i.e., a limited amount of credits allocated to States, which in turn distribute them to promising business projects in low-income areas -- or should the credit be generally available to firms in those areas? Should it be generally available (i.e., not allocated by States), but only to firms in low-income areas that also meet specified criteria?

Is there a need for a syndication component, given that these credits, even if allocated by State agencies, would be directed to for-profit concerns? Would a syndication component allow firms to obtain up-front capital not otherwise available?

What about recapture provisions, particularly in the case of an up-front credit? Would the owner be required to maintain the enterprise in the low-income area for a minimum period? What if the business fails? Would the owner be obligated to repay a portion of an up-front tax credit taken?

Can the geographical targeting be made sufficiently tight to adequately address substitution concerns?

Would the credit be in addition to any applicable deductions?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME: 9-MAR-1998 15:28:06.00

SUBJECT: memo to Treasury and others on community revitalization tax credit

TO: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

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KARL SCHOLZ  
JACQUIE LAWING  
PAUL LEONARD  
JULIAN POTTER

FROM: EMIL PARKER  
PAUL WEINSTEIN

CC: CECILIA ROUSE  
SARAH ROSEN

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Susan M. Carr ( CN=Susan M. Carr/OU=OMB/O=EOP [ OMB ] )

CREATION DATE/TIME:12-MAR-1998 14:41:56.00

SUBJECT: LIHTC edits to the DPC document

TO: Julie A. Fernandes ( CN=Julie A. Fernandes/OU=OPD/O=EOP@EOP [ OPD ] )

READ:UNKNOWN

Susan M. Carr ( CN=Susan M. Carr/OU=OMB/O=EOP@EOP [ OMB ] )

READ:UNKNOWN

TEXT:

In addition to some minor edits I am faxing to you on the DPC document, the examiner for LIHTC suggests the following rewrite of that paragraph. I'm sending this electronic version to you.

----- Forwarded by Susan M. Carr/OMB/EOP on 03/12/98  
02:41 PM -----

Alexandra Gianinno  
03/12/98 11:57:02 AM

Record Type: Record

To: Susan M. Carr/OMB/EOP@EOP

cc: Randolph M. Lyon/OMB/EOP@EOP, Francis S. Redburn/OMB/EOP@EOP

Subject: LIHTC edits to the DPC document

Below are the edits for the LIHTC portion of the document that you sent earlier today for review.

Alex

b. Expand Low Income Housing Tax Credit by 40 percent.

The IRS allocates annually to each State an capped amount of Low-Income Housing Tax Credits (LIHTC) equal to \$1.25 per resident. ; the nationwide cap is accordingly \$1.25 per capita. This limit has not been adjusted since the credit was created in 1986. ; the purchasing power of the credit has declined by 40 percent since that date. This \$1.25 per capita amount was set in 1986, the year the program was created. The Administration's budget calls for proposes to expand the LIHTC by increasing raising the per capita limit by 40 percent to \$1.75 effective for calendar years beginning after 1998, at a cost of \$1.6 billion over 5 years. This increase will significantly compensate for the loss of the Credit's purchasing power since 1986. per capita, This e Expansion of the LIHTCwill help develop an additional 150,000 to 180,000 120,000 affordable

rental units over the next five years.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:13-MAR-1998 15:11:14.00

SUBJECT: Chicago Event

TO: Brian A. Barreto ( CN=Brian A. Barreto/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Peter A. Weissman ( CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Jonathan A. Kaplan ( CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TO: Sally Katzen ( CN=Sally Katzen/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

In mid-April, there is a dedication of a 100-unit Low-Income Housing Tax Credit project in Chicago. The date is somewhat flexible -- so, we could potentially do it on the 10th or the 11th.

The project is in West Austin and is called Pine Central. LISC was involved in building this project, as was the Neighborhood Housing Service (NHS) which is a subsidiary of the Neighborhood Reinvestment Corporation (which is running our \$25 million "Play-by-the-Rules" initiative).

LISC believes that the Mayor would attend, if Gene dedicated the building. But they couldn't guarantee anything. However, I know that Marilyn Katz -- who works for LISC in Chicago -- will work day and night to ensure that the event included the Mayor and had press.

If this works out, I think we could get Paul Grogan -- the head of LISC -- or George Knight -- the head of NRC -- to come out to Chicago to be part of any event, if we wanted them there.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Peter A. Weissman ( CN=Peter A. Weissman/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:13-MAR-1998 16:14:09.00

SUBJECT: Chicago Event

TO: Melissa G. Green ( CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [ OPD ] )

READ:UNKNOWN

TEXT:

fyi- this is an option if Gene decides to go to Chicago for the UC panel.

----- Forwarded by Peter A. Weissman/OPD/EOP on 03/13/98

04:13 PM -----

Jonathan Orszag

03/13/98 03:09:54 PM

Record Type: Record

To: Sally Katzen/OPD/EOP, Peter A. Weissman/OPD/EOP, Jonathan A. Kaplan/OPD/EOP, Brian A. Barreto/OPD/EOP

cc:

Subject: Chicago Event

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RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. ( CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:27-MAR-1998 15:22:42.00

SUBJECT: EFT, Child Care/Low-Income Housing Tax Credit

TO: "BARRM%DOM3.DOPO6" <Michael.Barr ( "BARRM%DOM3.DOPO6" <Michael.Barr @MS01.DO.treas.sprint.com> [ UNKNOWN ] )>  
READ:UNKNOWN

CC: Cecilia E. Rouse ( CN=Cecilia E. Rouse/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Sarah Rosen ( CN=Sarah Rosen/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Emil E. Parker ( CN=Emil E. Parker/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

CC: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [ OPD ] )  
READ:UNKNOWN

Jennifer L. Klein ( CN=Jennifer L. Klein/OU=OPD/O=EOP [ OPD ] )  
READ:UNKNOWN

TEXT:

1. I know that I keep bothering you regarding this issue, but I am very concerned about EFT and the rollout of regulations later this spring. I want the White House to get a briefing on the status of the proposed regulations -- even if you are not in complete agreement on the final product at Treasury -- in order to prepare people here for the best and worst outcomes. As you know, there are a great deal of people here interested in this proposal. Let Jerry Hawke know that we want to get an update in the three weeks.

2. Awhile back we discussed the LISC proposal regarding child care facilities and the LIHTC. My superiors (Bruce and Elena) are all over me about when Treasury is going to sign off. Have you reached an agreement with Tax Policy yet are does the DPC and the NEC need to intervene? Let me know asap.

Thanks.

# Withdrawal/Redaction Sheet

## Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Jonathan Orzag to SCHOLZK%DOM13.DOPO7. Subject: Some Stuff. [partial] (1 page)	03/30/1998	b(6)

### COLLECTION:

Clinton Presidential Records  
Automated Records Management System [Email]  
OPD ([Quality Housing or LIHTC])  
OA/Box Number: 250000

### FOLDER TITLE:

[12/03/1997 - 03/30/1998]

2014-0224-F

ab1492

### RESTRICTION CODES

#### Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

#### Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jonathan Orszag ( CN=Jonathan Orszag/OU=OPD/O=EOP [ OPD ] )

CREATION DATE/TIME:30-MAR-1998 22:49:28.00

SUBJECT: Some Stuff

TO: "SCHOLZK%DOM13.DOPO7" <KARL.SCHOLZ ("SCHOLZK%DOM13.DOPO7" <KARL.SCHOLZ @MS01.DO.treas.sprint.com> @ inet [ UNKNOWN ] )  
READ:UNKNOWN

TEXT:

Karl:

Long time, no speak.

I am still stuck on homeownership and am not going to move off of it anytime in the near future..... so I thought I would try to rope you in. These are really long-term issues and should not get your attention now (unless you are not very busy).

My questions:

1. Do you have any revenue estimates for lowering the cap on the mortgage interest deduction to \$500,000? or \$750,000? or any other level. How many people would lowering the threshold to each of these levels affect? What's their average income?

An aside: Is there special treatment for farms when it comes to the mortgage deduction?

2. What are your specific concerns about IDAs? (b)(6)

(b)(6)  
(b)(6) -- were you objecting to tax credits (I assume refundable) to the individual, did you not like the idea of tax credits to the institution, or did you hate the whole damn thing?

3. Homeownership and the Low-Income Housing Tax Credit. It seems as though D'Amato has some kind of proposal to open the LIHTC up to housing cooperatives. I could not find the proposal -- it certainly is not in his LIHTC proposal. However, the Neighborhood Reinvestment Corporation (NRC) says that he wants to do it. Maybe it is in some form of draft legislation or something. Regardless, the NRC believes that this proposal would be too narrow (if you want to go down this road) because Mutual Housing Associations could fall through the cracks. According to the NRC, this proposal would not cost a dime. Anyway, what is your view -- or your staff's view -- on opening the LIHTC to some forms of homeownership, such as co-ops and Mutual Housing Associations?

Thanks.... Call me if you have any questions.

Jon