

FOIA MARKER

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Subseries:

OA/ID Number: 10089
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Folder Title:
[Low Income Housing Credit] [1]

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LOCAL INITIATIVES SUPPORT CORPORATION
733 THIRD AVENUE, NEW YORK, NEW YORK 10017

PAUL S. GROGAN, PRESIDENT

TEL: (212) 455-9822
FAX: (212) 682-5199

December 21, 1995

Mr. Gene Sperling
Deputy Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
2nd Floor, West Wing
Washington, DC 20500

Dear Mr. Sperling:

I am writing to thank you for your leadership on behalf of the Low Income Housing Tax Credit. I was extremely pleased to see that the preservation of the permanent Housing Credit was included in President Clinton's veto message, and would like to thank you for your role in bringing this important issue to his attention.

As you are well aware, the Housing Credit enables the construction of almost all new, affordable housing in both urban and rural areas. Through the Housing Credit, neighborhood residents are quietly transforming their communities, and the results are both tangible and impressive. Since 1987, the Housing Credit has produced over 750,000 units of housing, and it has generated over 90,000 jobs, \$2.8 billion in wages and salaries, and over \$1.3 billion in tax revenues each year. Without the Housing Credit, non-profit, low-income, community development corporations would not have the resources to build the decent and affordable housing which is so desperately needed in their neighborhoods.

The Clinton Administration took a strong stand on affordable housing when it made the Housing Credit permanent in 1993. Permanent status has made the Housing Credit even more effective in attracting private financing to the construction of affordable housing - based, in large part, on the higher degree of security which permanency brought to the market.

I urge you to do everything within your power to prevent the sunset of the Housing Credit. I hope and trust that I can continue to count on your leadership.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul S. Grogan', written over the printed name.
Paul S. Grogan

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Barbara J. Thompson
Director of Policy and
Government Affairs

National Council of State Housing Agencies

Suite 438
444 North Capitol Street, NW
Washington, DC 20001

202/624-7710
Fax: 202/624-5899

December 12, 1995

National
Council of
State
Housing
Agencies



MEMORANDUM

TO: Gene Sperling

FR: Barbara Thompson

RE: Preserving Tax Credit Permanency

I thought the following information would be helpful to you as you defend the President's position on Tax Credit permanency in the budget negotiations.

- Message to the President on the Low Income Housing Tax Credit
- Rangel Sign-on Letter to President Clinton
- Graham/Sarbanes Sign-on Letter to President Clinton
- List of Governors Supporting Tax Credit Permanence
- Graham/Sarbanes Sign-on Letter to Senate Leadership
- D'Amato/Chafee Sign-on Letter to Senate Leadership
- NCSHA Letters to Senate Majority Leader Dole
- NCSHA Letter to Representative Archer
- What the Credit has accomplished and what would be lost in low income apartments, dollars allocated, and equity generated for Finance Committee and all states
- Q&A's on "Why the Low Income Housing Tax Credit Should Not be Sunset"
- "The Low Income Housing Tax Credit is NOT Corporate Welfare"
- "A Brief Legislative History of the Low Income Housing Tax Credit"
- "What the States Have Done to Strengthen Tax Credit Administration"
- *Wall Street Journal/National Journal* Articles and other Tax Credit Press



Message to the President on the Low Income Housing Tax Credit

Thank you for including the Low Income Housing Tax Credit (Tax Credit) sunset among your reasons for vetoing the Budget Reconciliation Bill. Just as you delivered Tax Credit permanence two years ago, the states and our low income residents are counting on you now to insist on continued permanence in any budget bill you agree to sign.

This Congress must not be allowed to get away with yet another assault on America's low income working families. You must stand firm for Tax Credit permanence for all the reasons that you campaigned on it and enacted it in 1993.

Within a few days of the Congress' decision to sunset the Credit, 42 of 46 Senate Democrats and 150 of 197 House Democrats signed two letters to you asking you to insist on Tax Credit permanence in the budget negotiations with the Congress. The National Governors Association has called on you to preserve Tax Credit permanence. Two-thirds of the nation's governors have called or written you to implore you to save this vital program. Hundreds of mayors have done the same.

You recognize that Tax Credit sunset amounts to repeal. The sunset provision does not end the Tax Credit until 1997. But with the 2002 balanced budget deadline looming, the money simply will not be there to renew the Tax Credit in 1997.

The Tax Credit, administered by the states, is the only national program for low income apartment production. It encourages private investment in privately-owned affordable rental apartments regulated by states without federal bureaucracy.

The Tax Credit has produced nearly 800,000 rental homes for lower income people. It finances one out of every five new apartments built nationwide, nearly every one for low income renters, and rehabilitation of hundreds of thousands more into decent, affordable homes for low income families. These new apartments barely replace the low rent apartments lost every year to demolition, abandonment, or conversion to market rate use.

The Tax Credit generates \$1.8 billion in private low income apartment investment annually. It leverages another \$2.7 billion in mortgage financing. This \$4.5 billion total investment generates nearly 100,000 construction jobs, \$3.1 billion

in wages, and \$1.5 billion in tax revenues a year. Tax Credit housing, at \$1,100/apartment/year dedicated to low income use, is cheaper than alternatives like Section 8 vouchers which average \$6,900 a year.

Costly and wasteful, sunset will finance fewer apartments at greater cost before 1997 and none after that. No one will invest time and money in a program Congress has slated to disappear. That will reverse all the progress permanence has made in attracting many new high quality investors and developers into intense competition for the very limited supply of credits, wringing 28 percent more apartment construction value from every Tax Credit dollar since permanence in 1993.

Congress of the United States

Washington, DC 20515

December 1, 1995

Honorable William Jefferson Clinton
President
The White House
1600 Pennsylvania Avenue, NW
Washington, District of Columbia 20500

Dear Mr. President:

We write to express our deep concern regarding the sunset of the Low Income Housing Tax Credit program contained in the Budget Reconciliation Bill. We urge you to insist that this sunset provision be dropped from any Budget Reconciliation Bill you agree to sign.

Two years ago, in the face of a deficit even deeper than today's, you recognized that high rents and deteriorating housing conditions made a permanent Low Income Housing Tax Credit essential. Ninety percent of the Congress cosponsored the Tax Credit permanency that you signed in 1993.

After hearing of the House decision to sunset this tax credit, over 100 House Members immediately signed a letter to the House leadership protesting that decision. They were joined by 75 Senators, more than half the nation's governors, the National Governors' Association, the Republican Governors' Association, and hundreds of mayors.

You know that a decision to sunset the Low Income Housing Tax Credit is a decision to repeal it. With budget pressures intensifying as we advance toward a balanced budget, the revenue simply will not be there to reinstate the Low Income Housing Tax Credit, profoundly harming low income renters and the economy.

The Low Income Housing Tax Credit has sustained America's apartment construction industry for nearly a decade. Today it accounts for one out of five new apartments constructed and virtually all new apartments built for low income renters. It pays for rehabilitation of hundreds of thousands of older apartments into decent and affordable homes for low income families. The 100,000 new Low Income Housing Tax Credit financed apartments each year barely replace the number of low income apartments lost every year to demolition, abandonment or conversion to market rate use.

The Low Income Housing Tax Credit has already produced nearly 800,000 rental homes for lower income people. Those decent and affordable places to live simply would not exist without it. At the same time, the Low Income Housing Tax Credit has generated substantial economic benefits -- 100,000 jobs, \$3.1 billion in wages, and \$1.5 billion in tax revenues annually.

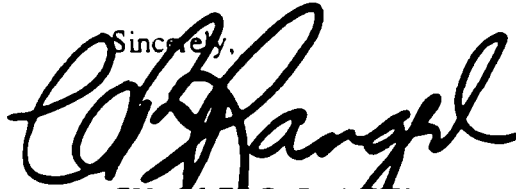
Sunsetting the Low Income Housing Tax Credit would be a wasteful throwback to the expensive uncertainty that preceded permanence. Doubting the Low Income Housing Tax Credit would last, many investors and builders stayed out of the market rather than invest the time, money, and staff resources in a program which might simply disappear. The reduced demand has diminished the equity raised by each Low Income Housing Tax Credit dollar.

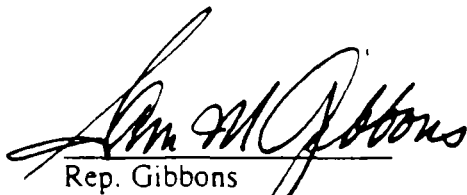
In just two years, Low Income Housing Tax Credit permanence has attracted many new high quality developers and investors into intense competition for the limited supply of Low Income Housing Tax Credits available each year, producing 28 percent more financing value for apartment

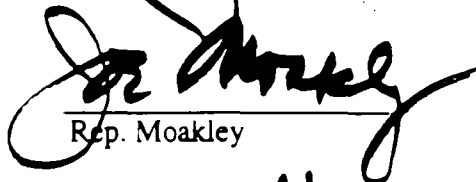
The House sunset provision will finance few apartments at greater cost to the government in 1996 and 1997 and none after that time. Despite the accusations of House Ways and Means Chairman Bill Archer, neither he nor any other person can offer any significant study or evidence to justify the setting of the Low Income Housing Tax Credit in 1997.

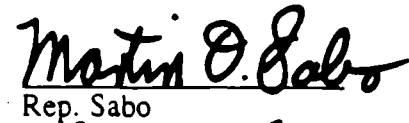
We are relying on you to reject the repeal of the Low Income Housing Tax Credit for all the reasons you made the Low Income Housing Tax Credit permanent two years ago.

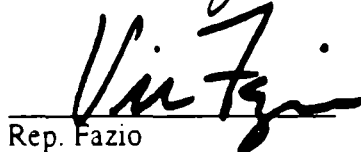
Sincerely,

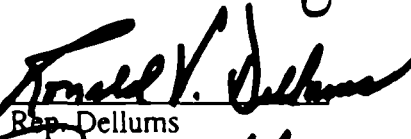

CHARLES B. RANGEL
Member of Congress

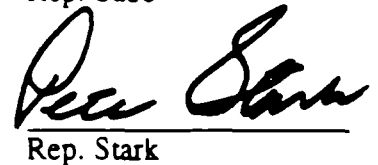

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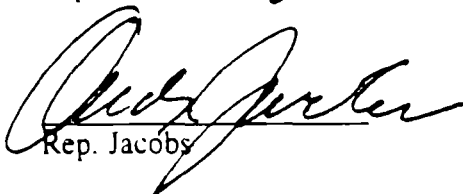

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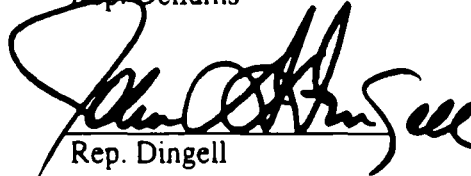

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Rep. Fazio

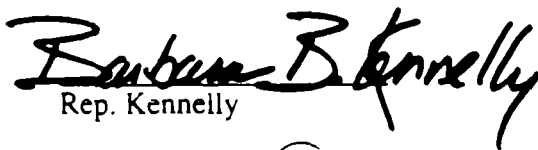

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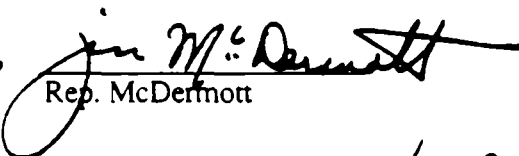

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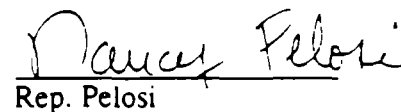

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Rep. Dingell

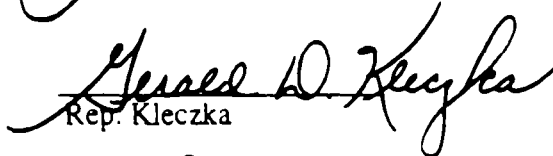

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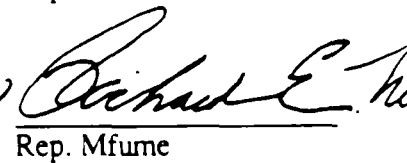

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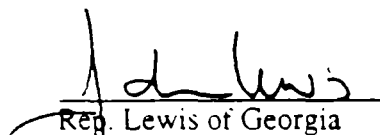

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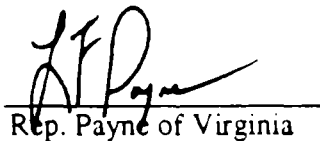

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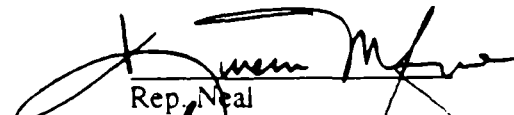

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Rep. Kleczka

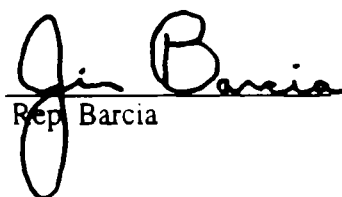

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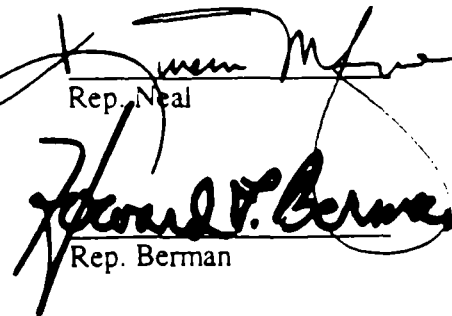

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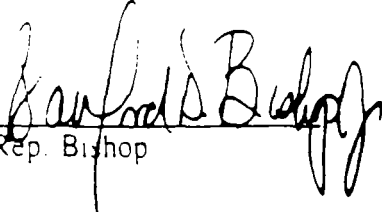

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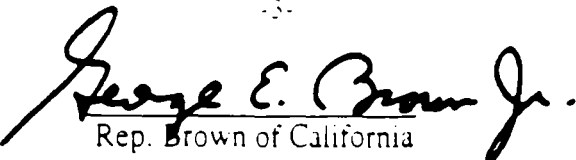

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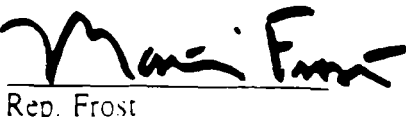

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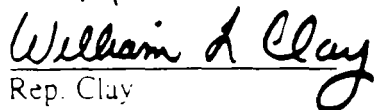

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Rep. Berman


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Rep. Frost

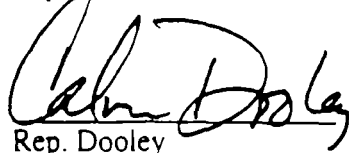

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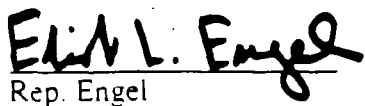

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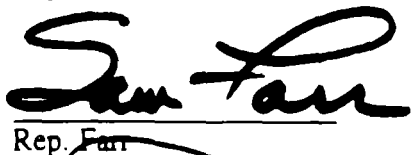

Rep. DeFazio

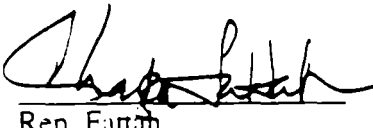

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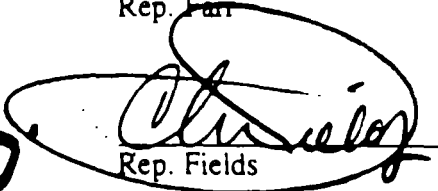

Rep. Engel


Rep. Evans

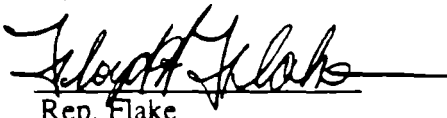

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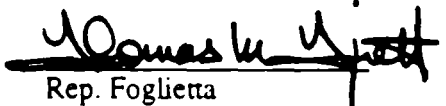

Rep. Fritch


Rep. Conyers


Rep. Fields

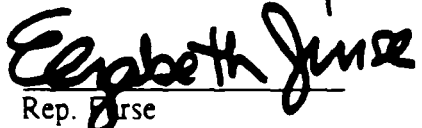

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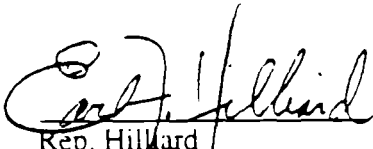

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Rep. Foglietta

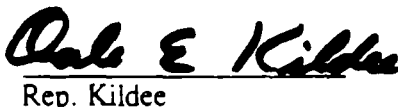

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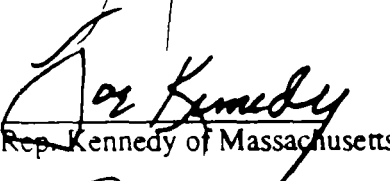

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Rep. Furze


Rep. Hilliard

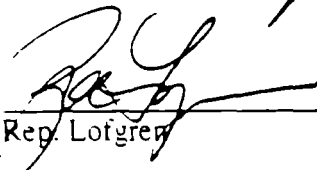

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Rep. Kildee


Rep. Kennedy of Massachusetts

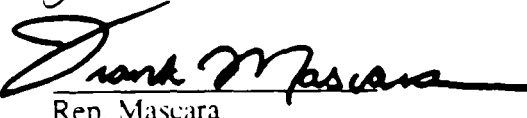

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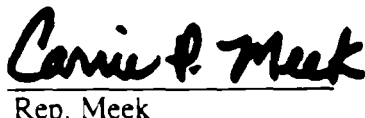

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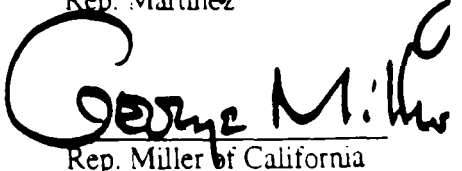

Rep. Lofgren


Rep. Mahle


Rep. Martinez


Rep. Mascara


Rep. Meek


Rep. Miller of California

Patrick J. Kennedy
Rep. Kennedy of Rhode Island

Pat T. Mink
Rep. Mink

Sam Minge
Rep. Minge

Gerold Nadler
Rep. Nadler

Jim Oberstar
Rep. Oberstar

Wm. Owens
Rep. Owens

Ed Pastor
Rep. Pastor

Ed Pomeroy
Rep. Pomeroy

Anders Seastrand
Rep. Seastrand

Jack Reed
Rep. Reed

Lynn Rivers
Rep. Rivers

Lucille Roybal-Alcala
Rep. Roybal-Alcala

Charles Schumer
Rep. Schumer

John Spratt
Rep. Spratt

Barb Stupak
Rep. Stupak

Ray Thornton
Rep. Thornton

Esteban E. Torres
Rep. Torres

Pat Torricelli
Rep. Torricelli

Towns Water Tucker
Rep. Towns

Rep. Tucker

Rep. Velazquez
Rep. Velazquez

Bruce Vento
Rep. Vento

Melvin L. Watt
Rep. Watt

Lynn Woolsey
Rep. Woolsey

Rep. Wyden
Rep. Wyden

Rep. Hastings of Florida
Rep. Hastings of Florida

Rep. Waxman
Rep. Waxman

Rep. Sanders
Rep. Sanders

Rep. Coyne
Rep. Coyne

Rep.

Rep. Dixon
Rep. Dixon

Rep. Bentsen
Rep. Bentsen

Rep. Rush
Rep. Rush

Vita Lowey
Rep. Lowey

Oct Blute
Rep. Blute

Neil Abernethy
Rep. Abernethy

Ram V. Gutierrez
Rep. Gutierrez

James G. Eshoo
Rep. Eshoo

John Baldacci
Rep. Baldacci

Victor D. Frazer
Rep. Frazer

Marty Meehan
Rep. Meehan

William D. Orton
Rep. Orton

James P. McCarthy
Rep. McCarthy

Bob Cunningham
Rep. Cunningham

Rosa C. DeLauro
Rep. DeLauro

Stephen Waters
Rep. Waters

Carole Maloney
Rep. Maloney

Ed Markey
Rep. Markey

Alfred E. Wynn
Rep. Wynn

Corinne Brown
Rep. Brown of Florida

Carol C. Peterson
Rep. Peterson of Minnesota

Rep. Studds

Tom Bevell
Rep. Bevell

Donald W. Payne
Rep. Payne of New Jersey

Joe E. Serrano
Rep. Serrano

Rep. Gervenson

Frank Pallone Jr.
Rep. Pallone

Rep. Castillo

Rep. Skelton

John W. Olver
Rep. Olver

Mike Ward
Rep. Ward

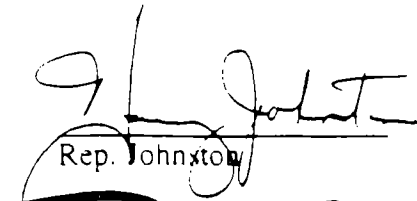
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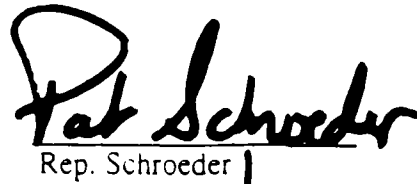
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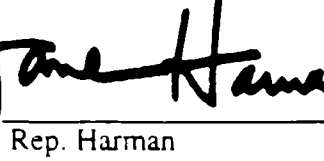
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Rep. Johnston


Rep. Schroeder

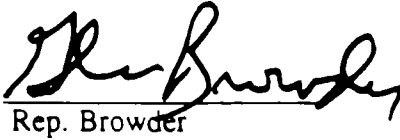

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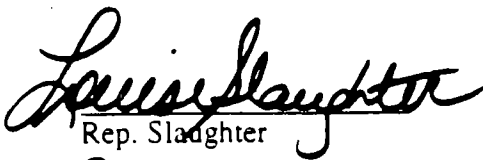

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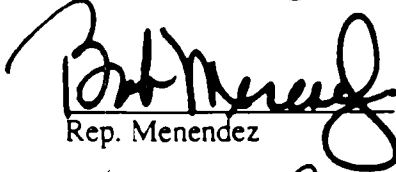

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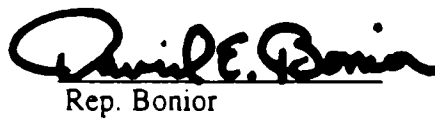

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Rep. Slaughter


Rep. Cardin

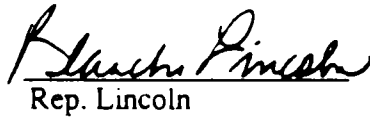

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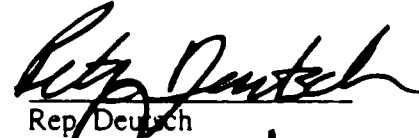

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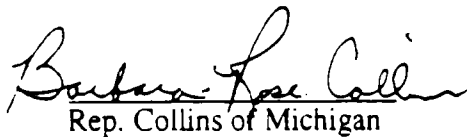

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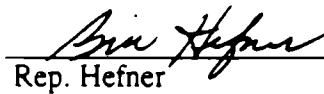

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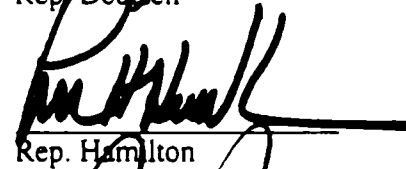

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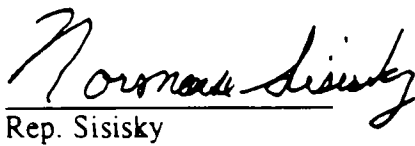

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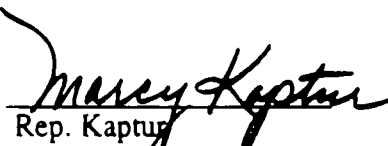

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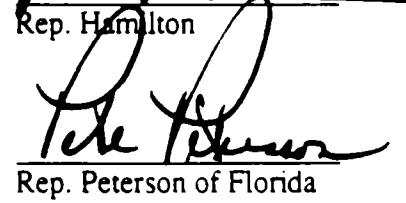

Rep. Collins of Michigan


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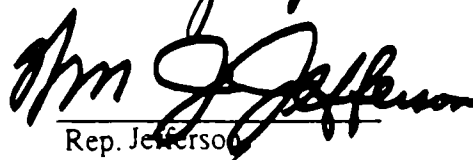

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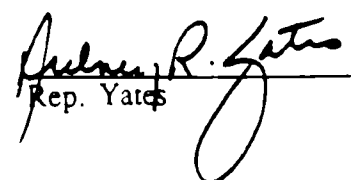

Rep. Sisisky


Rep. Kaptur


Rep. Peterson of Florida

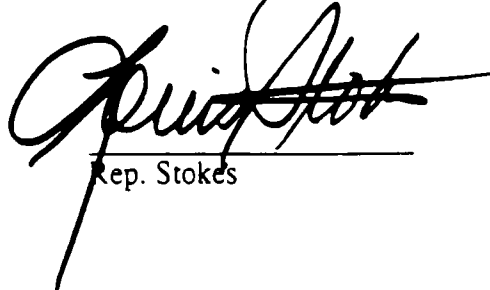

Rep. McNulty


Rep. Jefferson


Rep. Yates

CBR/jcg

cc: Hon. Al Gore
Hon. Henry Cisneros
Hon. Robert Rubin
Hon. Leon Panetta
Hon. Alice Rivlin
Hon. Erskine Bowles


Rep. Stokes

Rep.

Rangel House Sign-on Letter Participants
December 4, 1995

D-AL	Tom Bevill	D-IL	Sidney Yates	D-NY	Maurice D. Hinchey
D-AL	Glen Browder	D-IN	Lee Hamilton	D-NY	Nita M. Lowey
D-AL	Robert E. Cramer	D-IN	Andrew Jacobs, Jr.	D-NY	Carolyn Maloney
D-AL	Earl F. Hilliard	D-KY	Scotty Baesler	D-NY	Michael R. McNulty
D-AR	Blanche Lincoln	D-KY	Mike Ward	D-NY	Jerrold Nadler
D-AR	Ray Thornton	D-LA	Cleo Fields	D-NY	Major R. Owens
D-AZ	Ed Pastor	D-LA	William J. Jefferson	D-NY	Charles B. Rangel
D-CA	Xavier Becerra	D-MA	Peter Blute	D-NY	Charles E. Schumer
D-CA	Howard L. Berman	D-MA	Barney Frank	D-NY	Jose E. Serrano
D-CA	George E. Brown	D-MA	Joseph Kennedy	D-NY	Louise M. Slaughter
R-CA	Randy Cunningham	D-MA	Martin Meehan	D-NY	Edolphus Towns
D-CA	Ronald Dellums	D-MA	Edward J. Markey	D-NY	Nydia M. Velazquez
D-CA	Julian C. Dixon	D-MA	John Joseph Moakley	D-OH	Sherrod Brown
D-CA	Calvin Dooley	D-MA	Richard E. Neal	D-OH	Marcy Kaptur
D-CA	Anna G. Eshoo	D-MA	John W. Olver	D-OH	Louis Stokes
D-CA	Sam Farr	D-MA	Gerry E. Studds	D-OR	Peter DeFazio
D-CA	Vic Fazio	D-MD	Benjamin L. Cardin	D-OR	Elizabeth Furse
D-CA	Bob Filner	D-MD	Kweisi Mfume	D-OR	Ron Wyden
D-CA	Jane Harman	D-MD	Albert Wynn	D-PA	William J. Coyne
D-CA	Tom Lantos	D-ME	John E. Baldacci	D-PA	Chaka Fattah
D-CA	Zoe Lofgren	D-MI	James A. Barcia	D-PA	Thomas M. Foglietta
D-CA	Matthew G. Martinez	D-MI	David E. Bonior	D-PA	Tim Holden
D-CA	Robert T. Matsui	D-MI	Barbara-Rose Collins	D-PA	Ron Klink
D-CA	George Miller	D-MI	John Conyers, Jr.	D-PA	Frank R. Mascara
D-CA	Nancy Pelosi	D-MI	John D. Dingell	D-PA	Paul McHale
D-CA	Lucille Roybal-Allard	D-MI	Dale E. Kildee	D-RI	Patrick Kennedy
R-CA	Andrea Seastrand	D-MI	Sander M. Levin	D-RI	Jack Reed
D-CA	Pete Stark	D-MI	Lynn Rivers	D-SC	James E. Clyburn
D-CA	Esteban Edward Torres	D-MI	Bart Stupak	D-SC	John M. Spratt, Jr.
D-CA	Walter R. Tucker III	D-MN	Bill Luther	D-SD	Tim Johnson
D-CA	Maxine Waters	D-MN	David Minge	D-TX	Ken Bentsen
D-CA	Henry A. Waxman	D-MN	James L. Oberstar	D-TX	Martin Frost
D-CA	Lynn C. Woolsey	D-MN	Martin Olav Sabo	D-UT	Bill Orton
D-CO	Patricia Schroeder	D-MN	Collin C. Peterson	D-VA	L. F. Payne
D-CT	Rosa DeLauro	D-MN	Bruce F. Vento	D-VA	Owen B. Pickett
D-CT	Sam Gejdenson	D-MO	William Clay	D-VA	Robert C. Scott
D-CT	Barbara B. Kennelly	D-MO	Pat Danner	D-VA	Norman Sisisky
D-FL	Corrine Brown	D-MO	Karen McCarthy	Del-VI	Victor Frazer
D-FL	Peter Deutsch	D-MO	Ike Skelton	I-VT	Bernard Sanders
D-FL	Sam M. Gibbons	D-MS	Bernie Thompson	D-WA	Norman D. Dicks
D-FL	Alcee L. Hastings	D-MT	Pat Williams	D-WA	Jim McDermott
D-FL	Harry Johnston	D-NC	Eva Clayton	D-WI	Gerald D. Kleczka
D-FL	Carrie P. Meek	D-NC	W.G. Hefner		
D-FL	Douglas Peterson	D-NC	Charlie Rose		
D-GA	Sanford Bishop	D-NC	Melvin L. Watt		
D-GA	John Lewis	D-ND	Earl Pomeroy		
D-GA	Cynthia McKinney	D-NJ	Robert Menendez		
D-HI	Neil Abercrombie	D-NJ	Frank Pallone, Jr.		
D-HI	Patsy T. Mink	D-NJ	Donald M. Payne		
D-IL	Jerry Costello	D-NJ	Robert G. Torricelli		
D-IL	Richard J. Durbin	D-NM	Bill Richardson		
D-IL	Lane Evans	D-NY	Gary L. Ackerman		
D-IL	Luis V. Gutierrez	D-NY	Eliot L. Engel		
D-IL	Bobby L. Rush	D-NY	Floyd H. Flake		

NEWS RELEASE

CONGRESSMAN CHARLES B. RANGEL

U.S. House of Representatives
CONTACT—Jim Griffin
202-225-4365

Washington, DC 20515

CONG. CHARLES RANGEL DELIVERS CONGRESSIONAL SUPPORT FOR LOW INCOME HOUSING TAX CREDIT

Lawmaker's Letter to President Clinton Shows That a Majority of Congress Support Keeping the Low Income Housing Tax Credit Permanent.

WASHINGTON, Dec. 4 -- Cong. Charles Rangel (D-NY) today delivered a letter of support for the Low Income Housing Tax Credit to President Bill Clinton. Upon delivering the bipartisan letter signed by 150 Representatives, Rep. Rangel indicated the Low Income Housing Tax Credit, which is scheduled for repeal in two years as part of the Republican-sponsored Balanced Budget Act of 1995, should be continued as a permanent tax incentive to build low cost housing for Americans. Said Rangel, "A clear majority of the Congress publicly support the credit. It's time to take this valuable program off the table in reconciliation negotiations."

The Low Income Housing Tax Credit is the main federal resource for affordable rental housing, producing over 900,000 units each year since 1986. The credit offers investors a credit against their federal income taxes based on the cost of acquiring and developing low-income rental housing. In 1994, almost half of all new rental housing was developed using the credit and virtually all of the affordable rental housing is built with the help of the credit. In 1993, Congress made this important credit permanent with the support of over 90% of Congress. This year alone, the credit will help sustain 100,000 jobs, \$3.1 billion in wages, \$1.5 billion in tax revenues, and over 90,000 new housing units.

In his letter, Rangel pointed out that, "to sunset the credit is a decision to repeal it." Investors and builders will look to more stable areas of investment if the credit is eliminated. And with increasing pressures to balance the budget, it will be difficult to free sufficient resources to pay for the credit in two years when it is scheduled to expire as part of the budget reconciliation bill.

Rep. Rangel's efforts have been strengthened this week by a letter written by Internal Revenue Service Commissioner Margaret Milner Richardson that dismissed the methodology and assumptions used in an internal IRS memorandum that criticized the Low Income Housing Tax Credit. During Committee hearings on this legislation, Ways and Means Committee Chairman Bill Archer alluded to this report as one of his reasons for eliminating the program. Said Rangel, "Now that Mr. Archer's concerns regarding the integrity of the program have been answered, I hope that every Member of Congress and will join us in urging Speaker Gingrich and President Clinton to drop the sunset of the Low Income Housing Tax Credit from any reconciliation bill enacted into law."

###

United States Senate

WASHINGTON, DC 20510

November 17, 1995

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are writing to request your strong support for the Low Income Housing Tax Credit in the upcoming budget negotiations. The Low Income Housing Tax Credit is one of the federal government's most valuable tools for encouraging private investment in affordable housing.

Despite letters from 75 members of the Senate demonstrating strong, bipartisan support, the Conference Committee on budget reconciliation has decided to sunset the tax credit program effective December 31, 1997. (Please see attached letters.) This decision by the Conference Committee reverses one of your Administration's major achievements in housing policy. In Putting People First, you made the permanent extension of the Low-Income Housing Tax Credit one of your priorities for housing policy. When you signed the Omnibus Budget Reconciliation Act of 1993, you made possible a permanent extension of the tax credit program after many years of temporary extensions that limited the program's effectiveness and increased its cost.

As you know, the Low Income Housing Tax Credit program has been extremely successful. Since its inception in 1986, the program has helped produce nearly 800,000 rental units. It has generated an estimated 90,000 jobs, \$2.8 billion in wages, and \$1.3 billion in tax revenues annually.

Today the tax credit fosters public/private partnerships for affordable housing around the nation. The tax credit is part of the financing for nearly one in four rental housing units produced every year and virtually all new apartments built for low-income renters. The Low Income Housing Tax Credit accounts for the production of nearly 100,000 units of decent, affordable housing each year.

We believe that the provision ending the tax credit program is unjustified. We respectfully urge you to join us in working to strike the sunset provision from any final agreement on the budget.

Sincerely,



John Vaschle
Hillman

J. Wilson

Robert A. Meluskey

Murphy

Patrick Leahy

Carl Levin

Stendell Tard

Patty Murray

Wale Brummen

David Pryor

James Christian

Hent Gend

W. Q. Moynihan

Harry Reid

Jay Rockefeller

Carlene Byers

John F. Kerry

Chris Dodd

Richard H. Lugar

Chuck Robb

Fritz Hollings

Paul D. Wellstone

John Glenn

Frank R. Lautenberg

Byron L. Dorgan

Samuel E. Frank

Tom Harkin

~~Butter~~

Nurs. Fennel

Jeff Bryner
Samuel Frost
Claire Fell

Howell Hefner Low Income Housing T

John Breaux

Herb Kohl

Max Baucus

Carl Hayden

Joe Biden

and Kelly

Graham/Sarbanes Senate Sign-on Letter Participants

D-AL	Howell Heflin
D-AR	Dale Bumpers
D-AR	David Pryor
D-CA	Barbara Boxer
D-CA	Dianne Feinstein
D-CT	Christopher Dodd
D-CT	Joseph Lieberman
D-DE	Joseph Biden
D-FL	Bob Graham
D-HI	Daniel Akaka
D-HI	Daniel K. Inouye
D-IL	Carol Moseley-Braun
D-IL	Paul Simon
D-LA	Tom Harkin
D-KY	Wendell Ford
D-LA	John Breaux
D-LA	Bennett Johnston
D-MD	Barbara Mikulski
D-MD	Paul Sarbanes
D-MA	John Kerry
D-MA	Edward Kennedy
D-MI	Carl Levin
DFL-MN	Paul David Wellstone
D-MT	Max Baucus
D-NE	J. Robert Kerrey
D-NV	Harry Reid
D-NV	Richard Bryan
D-NJ	Frank Lautenberg
D-NM	Jeff Bingaman
D-NY	Daniel Moynihan
D-ND	Kent Conrad
D-ND	Byron Dorgan
D-OH	John Glenn
D-RI	Claiborne Pell
D-SC	Ernest Hollings
D-SD	Thomas Daschle
D-VT	Patrick Leahy
D-VA	Charles Robb
D-WA	Patty Murray
D-WV	John Rockefeller
D-WI	Russel Feingold
D-WI	Herbert Kohl



Governors For Tax Credit Permanence

Republicans

Governor John Engler, Michigan
Governor George W. Bush, Texas
Governor Pete Wilson, California
Governor Terry E. Branstad, Iowa
Governor George E. Pataki, New York
Governor George V. Voinovich, Ohio
Governor Michael O. Leavitt, Utah
Governor Tommy G. Thompson, Wisconsin
Governor Jim Edgar, Illinois
Governor Christine Todd Whitman, New Jersey
Governor Arne H. Carlson, Minnesota
Governor John G. Rowland, Connecticut
Governor Edward T. Schafer, North Dakota
Governor Mark Racicot, Montana
Governor Lincoln Almond, Rhode Island
Governor David M. Beasley, South Carolina
Governor Philip E. Batt, Idaho

Democrats

Governor Zell Miller, Georgia
Governor Thomas R. Carper, Delaware
Governor Howard Dean, M.D., Vermont
Governor Parris N. Glendening, Maryland
Governor John A. Kitzhaber, Oregon
Governor Bob Miller, Nevada
Governor Benjamin J. Cayetano, Hawaii
Governor Jim Guy Tucker, Arkansas

Independents

Governor Angus S. King, Maine

NATIONAL
GOVERNORS
ASSOCIATION



September 27, 1995

Honorable William V. Roth Jr.
Chairman
Committee on Finance
United States Senate
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

Honorable Daniel Patrick Moynihan
Ranking Member
Committee on Finance
United States Senate
SD-203 Hart Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman and Senator Moynihan:

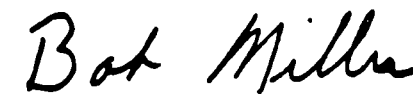
We are writing to seek your support for maintaining the permanent Low Income Housing Tax Credit (LIHTC). As you develop the Senate Finance Committee's reconciliation legislation, we urge you not to change this valuable program which has assisted states in financing the construction of 800,000 decent, affordable apartments for Americans whose family incomes are lower than 60 percent of the area median. The LIHTC reduces the taxes of any corporation which invests in affordable housing that otherwise would not be built. It is a good example of leveraging limited public resources with private money for an important public good.

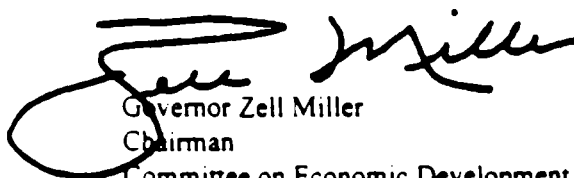
As the attached policy statement of the National Governors' Association points out, Governors expressly support the tax credit and have asked the federal government to promote public-private partnerships to increase the construction of affordable housing. The permanent LIHTC is one of the best examples of a public-private partnership and a federal-state partnership. This tax credit is the only incentive the federal government makes available to invest in affordable apartment construction and rehabilitation. The loss of permanency in the program will significantly weaken the effectiveness of the tax credit as corporations will be unable to plan future investments, leaving states with fewer options for developing financing packages for affordable housing projects.

We urge you both in the Senate Finance Committee and in Conference Committee to insist that this year's Reconciliation process not interrupt this successful and efficient affordable housing program.

Sincerely,


Governor Tommy G. Thompson
Chairman
National Governors' Association


Governor Bob Miller
Vice Chairman
National Governors' Association


Governor Zell Miller
Chairman
Committee on Economic Development
and Commerce



REPUBLICAN GOVERNORS ASSOCIATION
LOW AMERICA'S MAJORITY

September 27, 1995

The Honorable William V. Roth, Jr.
Chairman
Finance Committee
United States Senate
Washington, D.C. 20510

Dear Bill:

You know how much we share the balanced budget goal. However, we strongly urge you not to sacrifice the Low Income Housing Tax Credit -- our states' most effective tool for providing affordable housing to our low income families.

We urge you to sustain the Tax Credit's permanence in the Senate Finance Committee's budget Reconciliation Bill, and to insist on its inclusion in the conference with the House. To accept the House Ways and Means Committee's Tax Credit sunset is to accept the Tax Credit's repeal.

Since Congress created it in 1986, the Tax Credit has generated more than 730,000 new apartments nationwide, more than 110,000 each year at current rates. The Tax Credit currently accounts for one out of every four new apartments constructed nationwide and virtually every one of the new apartments built for low income renters. It is a key element in the recovering real estate industry.

Sunsetting the Tax Credit will profoundly disrupt an industry that has just come into maturity as a result of the credit's permanency. Permanence for the Tax Credit has attracted high quality developers into low income apartment construction and has increased the amount of equity generated by each Tax Credit dollar invested in such apartments.

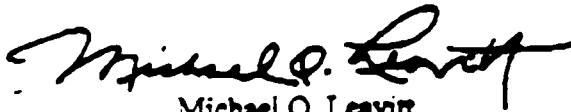
Sunset sends the message to investors that Congress has given up on the program -- despite its overwhelming success. The very threat of sunset may have already begun to undermine investor confidence that the Tax Credit will continue to be a reliable way to earn a fair return and help families in need.

The Tax Credit is by no means "corporate welfare" and was not particularly designed for corporate investors at all. Corporations had not been major low income housing investors and accounted for only about 20 percent of Tax Credit use until recent years. Individuals' investments accounted for about 80 to 100 percent of the Tax Credit until then.

Corporate Tax Credit investment has increased because the passive loss limitations in the 1986 Tax Reform Act strictly limit individual taxpayer Tax Credit investments. Nonprofit syndicators, such as The Enterprise Foundation and Local Initiatives Support Corporation, originally pioneered increased corporate investment in nonprofit projects, as individual investment dried up.

We urge you on behalf of our nation's lower income families to preserve the permanent status of the Low Income Housing Tax Credit.

Sincerely,



Michael O. Leavitt
Governor of Utah
Chairman



John Engler
Governor of Michigan
Vice Chairman



STATE OF GEORGIA
OFFICE OF THE GOVERNOR
ATLANTA 30334-0900

Zell Miller
GOVERNOR

November 3, 1995

The Honorable Newt Gingrich
Speaker of the House
2428 Rayburn House Office Building
Washington, D.C. 20515

Dear Speaker Gingrich:

As House and Senate conferees begin the process of formulating a compromise version of budget reconciliation, one issue of particular significance to Georgia is the fate of the Low Income Housing Tax Credit. As a co-signatory of a National Governors Association letter to you in September, I indicated my support for keeping the tax credit program as a permanent feature of the tax code. Now that the final work on budget reconciliation is beginning, I want to reiterate my support for the tax credit and ask you to convey your support to the conferees.

Please consider that over the past twelve months, Georgia's tax credit allocating agency, the Georgia Housing and Finance Authority, has assisted in the construction or rehabilitation of over 4,500 units of affordable housing statewide using the Low Income Housing Tax Credit. In fact, since the inception of the program in 1987, the number of tax credit assisted housing units in Georgia is in excess of 25,000. Quite simply, the Low Income Tax Credit is the single most important tool we have at the state level for developing low income rental housing. Without the credits and the incentive they provide to private sector developers and investors, it is unlikely that these 25,000 units would ever have happened.

This is a good public-private approach to housing and has worked well in the State of Georgia.

With kindest regards, I remain

Sincerely,

A handwritten signature in black ink, appearing to read "Zell Miller".

Zell Miller

ZM/ld

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

JOHN ENGLER
GOVERNOR

September 25, 1995

The Honorable Bob Dole
Majority Leader
S-230 U.S. Capitol Building
Washington, D.C. 20510

Dear Senator Senator Dole:

I have just been advised that the House Ways and Means Committee has taken action to remove the permanent status of the Federal Low Income Housing Tax Credit (Tax Credit), placing this important program in jeopardy. As one of many Governors who supported and worked for the permanent extension of the Tax Credit, I am very concerned about this unexpected development, and the impact it will have on our current and future efforts in the state to produce affordable housing.

As you know, we have made great strides in reforming our welfare programs in the states, and we are on the verge of major welfare changes at the federal level. The Tax Credit has been an important part of our comprehensive statewide strategy to help low income families afford decent housing and thereby reduce their dependence on other costly forms of public assistance.

Since its creation in 1986, the Tax Credit has helped in the development of over 22,000 new rental units in Michigan, and will likely assist more than 4,000 units per year in the future. This represents almost \$235 million in new housing development and over 4,900 construction and related jobs annually. Its importance to our real estate industry in the state is evident by the fact that the Tax Credit accounts for nearly four out of five new apartments built in Michigan.

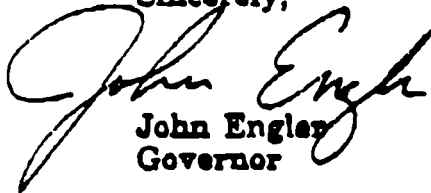
We have had great success in using the Tax Credit in Michigan. Our state-sponsored Tax Credit Equity Fund has raised \$10 million in private capital from Michigan savings institutions and corporations for investment in affordable housing and has planned to raise \$15 million more in the coming year. The permanence of the Tax Credit is largely responsible for the success of the fund. A short-term extension will do serious harm to this important program.

The Honorable Bob Dole
September 25, 1995
Page Two

There have been suggestions that the tax credit amounts to "corporate welfare." Nothing could be further from the truth. In Michigan during 1994, the Tax Credit generated \$87 million in private capital from individual and corporate investors. This represents private capital that would not have been contributed without the Tax Credit, and without this capital, over 4,000 units of affordable housing would not have been built.

The Tax Credit is the best model we have for a federal program that is administered by the states and that leverages private money with limited public resources for an important public good. I urge you to do everything you can to keep the Tax Credit permanent. Thank you in advance for your assistance.

Sincerely,

A handwritten signature in cursive script, reading "John Engler". The signature is written in dark ink and is positioned above the printed name and title.

John Engler
Governor

JE/jlr.dc



STATE OF TEXAS
OFFICE OF THE GOVERNOR

GEORGE W. BUSH
GOVERNOR

October 9, 1995

The Honorable William Roth
Chairman, Senate Finance Committee
205 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Roth:

The House Ways and Means Committee has included in its Budget Reconciliation bill a provision that would sunset the Federal Low Income Housing Tax Credit program (LIHTC) pending a General Accounting Office review. I am writing to express my support for the LIHTC program and let you know how much it helps Texas.

The LIHTC program is a significant component of Texas' low-income housing assistance strategy. The LIHTC is directly responsible for the creation and rehabilitation of over 90,000 units in Texas alone, and adds about 11,000 additional units per year. This program has leveraged hundreds of millions in private sector dollars to help build and rehabilitate apartments into decent and affordable places to live.

I strongly support Congress' efforts to balance the federal budget and understand you are examining and analyzing all federal programs to achieve that goal. The LIHTC should withstand scrutiny as a worthwhile and effective program that provides Texas and other states with the flexibility needed to help meet our low-income housing needs.

Thank you for all your hard work.

Sincerely,

A handwritten signature in dark ink, appearing to read "GWB", written over the printed name "GEORGE W. BUSH".

GEORGE W. BUSH

GWB:jg



STATE OF TEXAS
OFFICE OF THE GOVERNOR

GEORGE W. BUSH
GOVERNOR

October 9, 1995

The Honorable Bob Dole
Senate Majority Leader
S230, The Capitol
Washington, D.C. 20510

Dear Senator Dole:

The House Ways and Means Committee has included in its Budget Reconciliation bill a provision that would sunset the Federal Low Income Housing Tax Credit program (LIHTC) pending a General Accounting Office review. I am writing to express my support for the LIHTC program and let you know how much it helps Texas.

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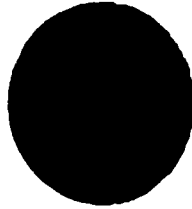
Thank you for all your hard work.

Sincerely,

A handwritten signature in dark ink, appearing to read "GWB", written over a horizontal line.

GEORGE W. BUSH

GWB:jg



GOVERNOR PETE WILSON

October 11, 1995

The Honorable William Roth
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to express my concern regarding a proposal to repeal the Low Income Housing Tax Credit (LIHTC). I have always been a strong supporter of the LIHTC, especially during my tenure in the U.S. Senate.

Congress, as you know, established the LIHTC in 1986 to boost the private sector's role in the production of affordable low-income rental housing.

This tax credit has been extremely effective in producing much needed affordable rental housing in California and across the nation. Since the inception of the LIHTC, over 900 projects have been completed in California producing over 50,000 units of housing. The LIHTC has played an important role in improving California's real estate and construction industry. The repeal of the LIHTC will certainly have a damaging effect on California's economy.

In proposing the LIHTC repeal, Chairman Archer has pointed out flaws in the program which have led to high production costs and concern over the public benefits returned for the tax dollars invested. I believe the concerns raised by Chairman Archer and others should be addressed to ensure that the benefits of the program flow as the Congress intended. We have already taken steps in California to contain high production costs associated with the LIHTC program.

The Honorable William Roth

October 11, 1995

Page Two

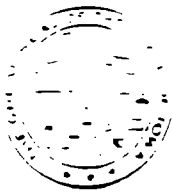
I believe implementing the kind of changes made in California to curb costs and increase productivity represent the right reform of the LIHTC program.

I respectfully urge your help in preserving the continuation of this important program.

Sincerely,



PETE WILSON



OFFICE OF THE GOVERNOR

STATE CAPITAL

DES MOINES, IOWA 50319

SEP 22 1995

TERESA E. SPANSTAD
DEPUTY GOVERNOR

September 21, 1995

The Honorable Bob Dole
141 Hart Building
Washington, D.C. 20510

Dear Senator Dole,

The House is proposing to eliminate a provision which would effectively repeal the Federal Low Income Housing Tax Credit (LIHTC). We strongly oppose this action. We encourage the Senate not to concur with this action passed by the House Ways and Means Committee on September 19th.

The LIHTC is a significant component of each state's low income housing assistance strategy. More than 10,000 housing units have been constructed or rehabilitated in Iowa as a result of the LIHTC program since its inception. The \$14 million in tax credits provided by the program in Iowa have leveraged over \$325 million in private investment to make the creation of these housing units possible. Additionally, the Iowa Finance Authority has leveraged the LIHTC program with more than \$9 million in funding through the HOME program to create more than 650 of these housing units.

Nationally, the LIHTC accounts for one out of every five new apartments constructed and virtually every one of the new apartments has been built for low income renters. It has financed the rehabilitation of even greater numbers of old apartments into decent and affordable places for low income families to live.

I understand and continue to appreciate the challenges faced by Congress as you work to achieve a balanced budget by the year 2002. And I appreciate the Chairman's interest in examining all elements of the budget, including tax expenditures, as a part of the budget-balancing process. However, in comparison with many other housing assistance programs which are administered by HUD and which receive direct appropriations from Congress, the LIHTC provides a higher return on investment as a result of the private investment in low income housing which is leveraged.

As Congress moves forward with deliberations on the reform of federal housing policy and programs based on the principle of providing states with the resources and flexibility to design their own low income housing assistance programs, I hope you will retain this important tool which allows states to leverage substantial private investments.

Please convey my concerns to Chairman Roth as the Senate Finance Committee considers the budget reconciliation legislation this week.

Sincerely,

A handwritten signature in black ink, reading "Terry E. Branstad". The signature is fluid and cursive, with a large, sweeping "Z" at the end.

Terry E. Branstad
Governor

cc.

Senator Charles Grassley



STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

GEORGE E. PATAKI
GOVERNOR

444 NORTH CAPITOL ST., N.W.
WASHINGTON, D.C. 20001
202-434-7100

September 22, 1995

The Honorable William V. Roth, Jr.
Chair, Senate Finance Committee
United States Senate
219 Dirksen Office Building
Washington, D.C. 20510

Dear Chairman Roth:

I have been advised that the House Ways and Means Committee has included a sunset of the Low Income Housing Tax Credit Program in its budget reconciliation bill.

The Low Income Housing Tax Credit Program is currently the only significant federal subsidy for low income housing. The tax credit is also a model for the federal-state relationship, involving as it does the complete delegation of operational responsibility to the states, but with sufficient federal oversight to prevent fraud and abuse. Our housing production programs, which are designed to meet the affordable housing needs of the state of New York, would be negatively impacted if we were to lose this vital federal housing program. Private low income rental housing production will essentially cease without the tax credit program. Furthermore, the ancillary benefit to the construction, service, manufacturing and other economic centers would be lost.

In New York State, the LIHTC is responsible for virtually all construction of low income housing. In 1994 alone, 4,500 low income units were constructed throughout the state, creating an estimated \$265 million of direct investment. Nationwide, the LIHTC has produced over 700,000 low income units over the life of the program. Support for this program is widespread among the investment and commercial banking, real estate development and housing advocacy sectors.

Your support for the future of affordable housing in the United States is critical at this time. Please use your vote to maintain the dynamic public-private partnership that creates the overwhelming majority of affordable new housing nationwide.

Sincerely,

George E. Pataki
Governor of New York



GEORGE V. VOINOVICH
GOVERNOR

STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43266-0601

September 27, 1995

The Honorable Robert Dole
141 Hart Senate Office Building
Washington, D. C. 20510

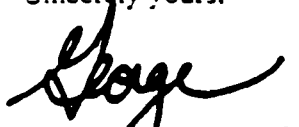
Dear Senator Dole:

As you know, I am a strong supporter of the Low-Income Housing Tax Credit program. This program has created more than 37,000 affordable rental housing units for low-income Ohioans. In addition, Ohio's program is a national leader in management and administration.

The House has advanced a Budget Reconciliation initiative calling for the elimination of this highly effective program. This measure is currently under consideration within the Senate Finance Committee. I have contacted Chairman Roth (see attached letter) to express my concern and support for the program and urge you to do the same.

The Ohio Housing Finance Agency, which administers the program, can provide you with constituent information as well as any tax credit production information which you require. Please feel free to contact them at 614-466-7970 with your questions and comments.

Sincerely yours,


George V. Voinovich
Governor

GVV:cs





GEORGE V. VOINOVICH
GOVERNOR

STATE OF OHIO
OFFICE OF THE GOVERNOR
COLUMBUS 43266-0601

September 27, 1995

The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20515

Dear Chairman Roth:

I am deeply concerned about the House-passed Budget Reconciliation Bill currently being considered by the Senate Finance Committee, calling for the repeal of the Low-Income Housing Tax Credit Program.

I support the Low-Income Housing Tax Credit for many reasons. First, this program exemplifies how states control their own destiny in seeing to the needs of their low income and vulnerable populations. Second, it is an effective way to create affordable rental housing because tax credits rely on private sector expertise to develop and build the housing. Third, tax credits leverage private sector investment. Last year, Ohio's \$12 million in tax credits generated more than \$12.8 million in private sector investment and more than \$70 million in private sector financing in Ohio for low income housing.

The 15 through 30-year affordability requirement provides key protection for taxpayers' investments. While an investor can claim a tax credit for ten years, the units typically remain affordable for 30 years, providing an excellent return on public investment. I also support the program because units and projects are monitored to ensure they are decent, safe, sanitary and that they serve those whom Congress intended.

I recognize that housing assistance programs must share the burden to help balance the budget. However, due to the heavy cuts in HUD's housing and community development program, it is vitally important that we protect and enhance private sector initiatives for the creation of affordable rental housing. Those efforts produced 110,000 new housing units nationwide last year. For these reasons, many of the same reasons you supported permanent extension of this program in 1993, I urge your support for removing Low-Income Housing Tax Credit sunset language from this bill.

Sincerely yours,

A handwritten signature in black ink, appearing to read "George V. Voinovich".

George V. Voinovich
Governor

GVV:cs



MICHAEL O. LEAVITT
GOVERNOR

STATE OF UTAH
WASHINGTON OFFICE OF THE GOVERNOR
400 NORTH CAPITOL STREET, SUITE 370
WASHINGTON, D.C. 20001

OLENE S. WALKER
DEPUTY GOVERNOR

JOANNE SNOW NEUMANN
DIRECTOR

September 19, 1995

The Honorable William V. Roth
Chair, Senate Finance Committee
United States Senate
SD-219
Washington, D.C. 20510

Dear Chairman Roth:

As you know, House Ways and Means Committee Chairman Bill Archer has released his proposed Budget Reconciliation Bill and there is a provision that calls for the sunset of the Low Income Housing Tax Credit (LIHTC) after December 31, 1997. I would encourage you not to include this provision in the Senate bill.

As you know, the LIHTC is the only incentive remaining today for the production of affordable rental housing. According to the Utah Housing Finance Agency which administers the tax credit program for our state, the 6,000 units financed in Utah by LIHTC accounts for virtually all of this state's apartment construction that have rents which are affordable to hard-working, yet lower income renters. This represents fully half of all the new apartments that have been constructed in Utah since 1987. It also finances rehabilitation of large numbers of old apartments into decent and affordable places for low income families to live.

The LIHTC is not a direct spending program of the federal government like so many other housing programs, but rather offers tax incentives to the private sector to invest capital into these difficult to finance housing efforts. Although corporations are the principal investors in the tax credits which finance these low income apartments, the LIHTC is not in any way a form of "corporate welfare". The LIHTC builds partnerships between public and private sectors to very efficiently draw capital into solving this nation's housing dilemma.

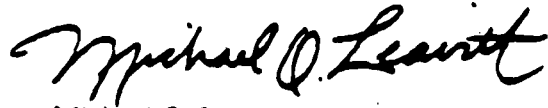
Additionally, the LIHTC has played an important role in sustaining the apartment construction industry in Utah for nearly a decade. It is playing an prominent part in the resurgence of a healthy Utah real estate industry. Vastly more important, the LIHTC has produced more than 6,000 rental homes, housing in excess of 25,000 lower income parents and children, in nearly every community of our state. Those decent and affordable places to live

The Honorable William V. Roth
September 19, 1995
Page Two

simply would not exist without the LIHTC.

Thank you for your attention to this important matter.

Sincerely,

A handwritten signature in black ink, reading "Michael O. Leavitt". The signature is fluid and cursive, with the first name "Michael" and last name "Leavitt" clearly legible.

Michael O. Leavitt
Governor

MOL:ls,wasbdc

cc: Senator Orrin Hatch
Senator Robert Bennett



STATE OF ILLINOIS
OFFICE OF THE GOVERNOR
SPRINGFIELD 62706

JIM EGGAR
GOVERNOR

September 27, 1995

The Honorable William Roth
United States Senate
104 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Simon:

As you know, the House Ways and Means Committee has reported a Budget Reconciliation Bill which contains a provision that sunsets the Low Income Housing Tax Credit (LIHTC) after December 31, 1997. The proposed sunset of the LIHTC would strike a crushing blow to the efforts of states to revitalize urban and rural communities and to make decent and affordable housing available to low and moderate income working families. I encourage you not to include this provision in the senate bill, and to oppose it in conference with the House.

LIHTC has fulfilled its vision as a successful block grant to states. Though its brief existence it has proven to be the most cost-effective and efficient federal program to promote housing - accounting for over 90 percent of the production of affordable housing and almost 90 percent of all rental housing in the U.S. The tax credit has produced more than 750,000 units of housing nationwide, almost 90,000 units of housing in Illinois alone.

LIHTC is a program that has many core Republican principles underpinning its structure. The program is decentralized, administered by state housing finance agencies (HFA's) with little or no involvement of the federal bureaucracy. It is market-oriented, in that a liquid and efficient market for tax credits has developed among state HFA's and those that purchase tax credits. Investors exercise strict business strict business discipline in selecting projects and overseeing their development and long-term operations which produces a better product than government-administered housing development has been able to achieve.

From an economic development perspective, LIHTC-financed housing has acted as an anchor for further economic growth and activity in depressed blighted areas. The quality of housing attracts other housing construction as well as spurring private sector investment in the area which creates jobs and enhances the tax base.

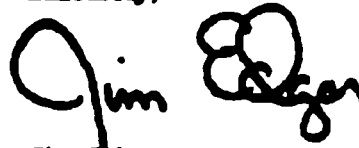
Unlike "corporate welfare" benefits which subsidize expenditures that would have been made anyway, the LIHTC is a market driven, public purpose "investment incentive" which has effectively facilitated corporate and individual investment in America's urban and rural communities for the direct net benefit of the nation's low and very low income families.

State HFA's, in concert with the IRS, have ensured that this program has been administered in a manner that has effectively and efficiently benefited low income persons, which we believe should be borne out by the uncompleted GAO study. I urge you to not consider any alteration in the LIHTC program at least until after the GAO has completed its review and we know what, if anything, needs to be altered.

I am fully supportive of downsizing and restructuring the size and scope of the federal government, and the concomitant need to achieve budgetary savings to accomplish this goal, but the LIHTC has a strong track record of performance in Illinois and is the only significant federal resource remaining for the development of housing and a sunset would severely undercut the efforts of states to develop affordable rental housing. I urge you to oppose its sunset.

Thank you very much for your help with this issue.

Sincerely,


Jim Edgar
GOVERNOR

cc: The Honorable Robert Dale, Senate Majority Leader



STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
CN-001
TRENTON
08625

CHRISTINE TODD WHITMAN
GOVERNOR

September 26, 1995

Senator Bob Dole
U.S. Senate
Majority Leader
S-230 Capitol Building
Washington, D.C. 20510

Re: Federal Low-Income
Housing Tax Credit

Dear Majority Leader Dole:

I understand the Senate Finance Committee may be considering plans to sunset the Federal Low-Income Housing Tax Credit (LIHTC) at the end of 1996 as part of the Budget Reconciliation legislation. On behalf of the State of New Jersey, I urge you to spare the Low Income Housing Tax Credit program.

Since inception of this program, New Jersey has created or rehabilitated almost 16,000 affordable rental housing units. More than 40,000 New Jerseyans have found decent, safe and affordable housing, where they might otherwise not have been able to do so, as a result of this program. In addition, this program has generated more than a billion dollars in construction financing and has created 50,000 construction jobs in the State. In 1995 alone, the New Jersey Housing and Mortgage Finance Agency has allocated \$9,600,000 in tax credits which will produce almost 2,000 housing units. The State's production of affordable rental housing will be non-existent, not to mention the long-term negative consequences to the State's economy if this Low-Income Housing Tax Credit sunsets.

Although corporations are the principal investors in the tax credits which finance these low-income units, the LIHTC is not "corporate welfare." Corporations are the principal investors because the General Limitation on Credits in the 1986 Tax Act has effectively "knocked" individual investors out of the tax credit market, leaving corporations as practically the only investors in LIHTC. The purchases by corporations of LIHTC finance decent and affordable homes for lower-income families, a market otherwise not served. New Jersey is grateful that these corporations invest a portion of their profits in the affordable housing market. If corporations did not invest in the LIHTC, many lower income New Jerseyans would have to go without an affordable place to live because such rental units would simply not be built.

Because of the permanence of the LIHTC Program in 1993, the program has attracted many new high-quality developers into constructing lower-income apartments. This has produced intense competition for the limited supply of credits available each year, resulting in a significantly higher yield in equity for each dollar's worth of LIHTC sold. Returning to the stop-start status to which the LIHTC Program was subject to before 1993 threatens that progress.

New Jersey has appreciated and depended upon you and your Republican colleagues' consistent support for the LIHTC for many years leading to its permanence in the 1993 Act. I urge you to preserve this program.

Sincerely,



Christine Todd Whitman
Governor

c. Senator William Roth
Senator Bill Bradley
Senator Frank Lautenberg



STATE OF MINNESOTA

Washington Office
400 North Capitol Street, Suite 365
Washington, D.C. 20001
(202) 624-3308

ARNE H. CARLSON
GOVERNOR

KATHEE MCCRIGHT
DIRECTOR

September 22, 1995

Senator William V. Roth, Jr.
Chairman
Committee on Finance
SD-219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Mr. Chairman:

I am writing to urge you not to include the sunset of the Low Income Housing Tax Credit Program in your budget reconciliation legislation.

This sunset, included in the House Ways and Means Committee budget reconciliation bill mark-up, is a de facto repeal of a program which is responsible for the majority of rental housing development in the state of Minnesota. The National Governors' Association has called this program, along with mortgage revenue bonds, a model of an effective housing program and has urged an increase in the limits of the program.

We have just launched the Governor's Economic Vitality and Housing Initiative, a two year initiative to increase the supply of affordable housing in areas of the state experiencing significant job growth. The Low Income Housing Tax Credit Program is one of the cornerstones of this initiative. Sunset of this program, which effectively signals the termination of the program, will substantially undermine our efforts to meet Minnesota's basic housing needs and sustain economic growth throughout the state.

The sunset provision appears without hearings on the merits of the program and without waiting for the results of the GAO study of the program. If there are concerns about the administration of the program, they should be fully explored. Changes should be made after thorough review and thoughtful consideration of the program.

The Low Income Housing Tax Credit Program - in contrast to most HUD programs - provides incentives to the private sector to invest in affordable housing. This principle, which underlies the Republican Governors' Housing Task Force's statement on Federal Housing and Community Development Assistance, should be the foundation for federal housing policy. Now is not the time to signal a lack of support for a program so solidly built on effective private sector participation.

The Honorable William V. Roth, Jr
September 22, 1995
Page Two of Two

Thank you for your consideration of this issue which is so critical to the State of Minnesota.

Warmest regards,

A handwritten signature in dark ink, appearing to read "Arne H. Carlson". The signature is written in a cursive, flowing style.

ARNE H. CARLSON
Governor

STATE OF CONNECTICUT
SENATE CHAMBERS
HARTFORD, CONNECTICUT
06106

JOHN G. ROWLAND
GOVERNOR

October 6, 1995

Honorable William Roth
Chairman, Committee on Finance
United States Senate
104 Hart Senate Office Building
Washington, D C 20510

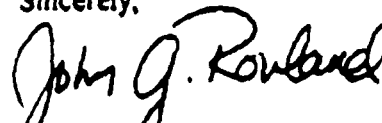
Dear Mr. Chairman:

I am writing to express my concern over the proposal to sunset the Low Income Housing Tax Credit Program (LIHTC). As the Senate Finance Committee develops its reconciliation legislation, I encourage you to continue this valuable program which assists states in financing the construction and rehabilitation of homes for lower income Americans.

As you know, the LIHTC promotes the development of affordable housing that otherwise would not be built. The program is a good example of leveraging limited public resources with private money for an important public good. Through its brief existence, the program has proven to be cost-effective and efficient. It has accounted for over 90 percent of the production of affordable housing and almost 50 percent of all rental housing in the United States. Since Congress created the LIHTC in 1986, the program has helped build over 5,000 low income apartments in Connecticut. We have been able to use the program to raise \$35 million per year in private capital investment in housing.

While I am fully supportive of restructuring the size and scope of the federal government, and the need to achieve budgetary savings to accomplish this goal, I believe the LIHTC has a strong track record of performance in Connecticut. It is the only significant tax incentive remaining for the rehabilitation or development of low income rental housing. Ending this program would severely undercut the ability of states to provide affordable rental housing, and I urge you to continue the program.

Sincerely,



John G. Rowland
Governor

STATE OF CONNECTICUT
EXECUTIVE CHAMBERS
HARTFORD, CONNECTICUT
06106

JOHN G. ROWLAND
GOVERNOR

October 6, 1995

Honorable Daniel Patrick Moynihan
Committee on Finance
United States Senate
203 Hart Senate Office Building
Washington, D.C. 20510

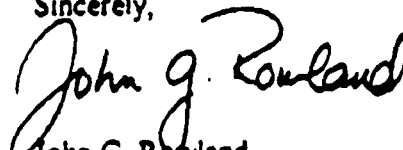
Dear Senator Moynihan:

I am writing to express my concern over the proposal to sunset the Low Income Housing Tax Credit Program (LIHTC). As the Senate Finance Committee develops its reconciliation legislation, I encourage you to continue this valuable program which assists states in financing the construction of homes for lower income Americans.

As you know, the LIHTC promotes the development of affordable housing that otherwise would not be built. The program is a good example of leveraging limited public resources with private money for an important public good. Through its brief existence, the program has proven to be cost-effective and efficient. It accounts for over 90 percent of the production of affordable housing and almost 50 percent of all rental housing in the United States. Since Congress created the LIHTC in 1986, the program has helped build over 5,000 low income apartments in Connecticut. We have been able to use the program to raise \$35 million per year in private capital investment in housing.

While I am fully supportive of restructuring the size and scope of the federal government, and the need to achieve budgetary savings to accomplish this goal, I believe the LIHTC has a strong track record of performance in Connecticut. It is the only significant tax incentive remaining for the rehabilitation or development of low income rental housing. Ending this program would severely undercut the ability of states to provide affordable rental housing, and I urge you to continue the program.

Sincerely,


John G. Rowland
Governor



EDWARD T. SCHAPER
GOVERNOR

State of North Dakota

OFFICE OF THE GOVERNOR
600 N. BOULEVARD - SECOND FLOOR
BISMARCK, NORTH DAKOTA 58101-0001
(701) 328-2200

September 20, 1995

Honorable William V. Roth, Jr.
United States Senate
104 Hart Senate Office Building
Washington, DC 20510-0801

Dear Senator Roth:

The very efficient Low Income Housing Tax Credit (LIHTC) will be "sunset" at the end of 1997 by the Budget Reconciliation bill adopted by the House Ways and Means Committee. I respectfully request this provision not be included in Finance Committee legislation being drafted.

In North Dakota, LIHTC is nearly the only viable incentive for the private production and rehabilitation of housing for lower income families. Our annual allocation authority, based on population, is approximately \$800,000 per year. We receive nearly three times that amount in applications each year which confirms the need for LIHTC, recognizing that there are typically no other subsidies attached to the proposed projects. On average, the \$800,000 in LIHTC authority represents approximately \$11,000,000 in private capital investment producing nearly 250 apartment units whose occupancy and rental rates are restricted to lower income occupants ranging from 60% to 30% of median income. This involves hundreds of construction jobs. Since LIHTC was authorized in 1986, the credits were responsible for more than 2,000 lower income apartment units in North Dakota.

Administration of the tax credit is consistent with the Republican Governor's Housing Task Force philosophy in that the Federal tax code establishes the basic requirements while affording the State's flexibility to tailor and target the credits toward the housing needs of the State. The North Dakota Housing Finance Agency and the Industrial Commission have conservatively crafted an allocation plan which selects project proposals which produce the most housing for the LIHTC dollar.

Honorable William V. Roth, Jr.

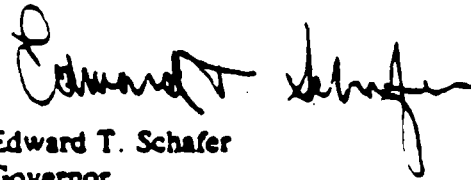
Page 2

September 20, 1995

The LIHTC was permanently authorized in the 1993 Tax Act. It is important that consistency is maintained so as not to have "on and off" programming which is counter-productive to long term development.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward T. Schafer", with a stylized flourish at the end.

Edward T. Schafer
Governor

13:07

OFFICE OF THE GOVERNOR
STATE OF MONTANA

MARC RACICOT
GOVERNOR



STATE CAPITOL
HELENA, MONTANA 59620-0801

September 29, 1995

The Honorable William V. Roth Jr.
Chairman
Committee on Finance
United States Senate
SD-219 Dirksen Senate Office Building
Washington D.C. 20510

The Honorable Max Baucus
Ranking Member
Committee on Finance
United States Senate
511 Hart Senate Office Building
Washington D.C. 20510

Dear Mr. Chairman and Senator Baucus:

I am writing to seek your support for maintaining the permanent Low Income Housing Tax Credit (LIHTC) as you develop the Senate finance Committee's budget reconciliation legislation, and to oppose a sunset of the LIHTC in the conference committee. I urge you to strongly support permanence for the LIHTC as one of the best examples of a public-private partnership and a federal-state partnership. The "block grant" approach of the LIHTC gives the states the ultimate flexibility to use the program to meet the housing needs of the individual state.

The LIHTC is the only federal program to encourage investment in affordable housing. In its brief history it has already financed over 800,000 decent, affordable apartments for Americans whose family incomes are lower than 60 percent of the area median. The LIHTC program has been used in rural and urban areas in the State of Montana. Since the program began in 1987, it has assisted in the financing of 1,624 rental housing units, for a total of \$81,395,504 in construction costs, with an annual allocation of \$6,390,170 in LIHTC. The State of Montana has adopted development cost limitations and has implemented a compliance monitoring plan to assure quality control of the program at the state level.

The program has drawn money into Montana's economy from the private sector in the form of loans, as well as private investment money through the sale of the tax credit. It is a good example of leveraging limited public resources with private money for an important public good. The program has helped in achieving a considerable addition to the stock of affordable housing in Montana, which is clearly needed to accommodate our increasing population.

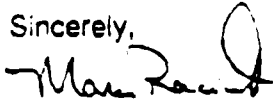
A sunset clause in the program now would be detrimental to the development and retention of affordable housing in Montana. The state's production of affordable rental housing will be non-existent, not to mention the long term negative consequences to the state's economy if the

Page 2
September 29, 1995

LIHTC sunsets. In addition, it appears a sunset now may in effect repeal the program for good due to the balanced budget deadline which is just seven years away.

I urge you to let Low Income Housing Tax Credit (LIHTC) continue as a permanent program.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Racicot", written over the word "Sincerely,".

MARC RACICOT
Governor

cc: Senator Conrad Burns
Linda Reed



State of Rhode Island and Providence Plantations
State House
Providence, Rhode Island 02903-1196
401-277-2080

LINCOLN ALMOND
GOVERNOR

September 27, 1995

The Honorable William V. Roth, Jr.
United States Senate
104 Hart Senate Office Building
Washington, DC 20510

Dear Senator Roth:

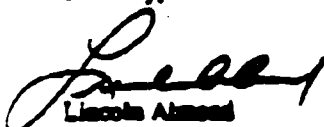
I am writing to urge you to oppose any provision to sunset the Low Income Housing Tax Credit (LIHTC). Since 1986, \$8.3 million in credit authorization has leveraged over \$117 million in development funding to produce 2,476 affordable housing units in Rhode Island. The tax credits have raised \$41 million in equity from companies such as Radian, CVS, and Nynex to cover approximately one third of the cost of each development. Without the tax credit this private investment would not take place.

Although corporations are investing in tax credits, this is not corporate welfare. This is a program whose primary beneficiaries are the lower income citizens of Rhode Island and the urban neighborhoods which are revitalized through this investment. Coupled with substantial funds cuts at HUD, the State of Rhode Island does not have the resources necessary to develop affordable rental housing without the LIHTC. Developments such as Project Renew in Lincoln, Centennial and Cogswell Homes in Central Falls, West End in Providence, and Coastline Hill in Woonsocket cannot be accomplished without the LIHTC Program.

The LIHTC program provides an efficient mechanism for raising capital for development. The cost is more than offset by the generation of federal and state taxes and the creation of jobs. This is a funding mechanism that should be encouraged rather than eliminated.

Your support of this program would be greatly appreciated by the State of Rhode Island.

Sincerely,


Lincoln Almond
Governor



State of Rhode Island and Providence Plantations

State House
Providence, Rhode Island 02903-1196
401-277-2080

LINCOLN ALMOND
GOVERNOR

September 27, 1995

The Honorable Bob Dole
United States Senate
141 Hart Senate Building
Washington, DC 20510

Dear Senator Dole:

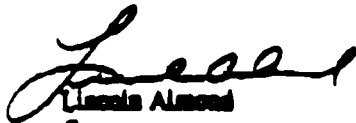
I am writing to urge you to oppose any provision to sunset the Low Income Housing Tax Credit (LIHTC). Since 1986, \$8.3 million in credit authorization has leveraged over \$117 million in development funding to produce 2,476 affordable housing units in Rhode Island. The tax credits have raised \$41 million in equity from companies such as H&M, CVS, and Nynex to cover approximately one third of the cost of each development. Without the tax credit this private investment would not take place.

Although corporations are investing in tax credits, this is not corporate welfare. This is a program whose primary beneficiaries are the lower income citizens of Rhode Island and the urban neighborhoods which are revitalized through this investment. Coupled with substantial funds cuts at HUD, the State of Rhode Island does not have the resources necessary to develop affordable rental housing without the LIHTC. Developments such as Project Renew in Lincoln, Centennial and Cogswell Homes in Central Falls, West End in Providence, and Constitution Hill in Woonsocket cannot be accomplished without the LIHTC Program.

The LIHTC program provides an efficient mechanism for raising capital for development. The cost is more than offset by the generation of federal and state taxes and the creation of jobs. This is a funding mechanism that should be encouraged rather than eliminated.

Your support of this program would be greatly appreciated by the State of Rhode Island.

Sincerely,


Lincoln Almond
Governor



State of Rhode Island and Providence Plantations
State House
Providence, Rhode Island 02903-1196
401-277-2080

LINCOLN ALMOND
GOVERNOR

September 27, 1995

The Honorable John H. Chafee
United States Senate
505 Dirksen Senate Building
Washington, DC 20510

Dear Senator Chafee:

I am writing to thank you for your past support of the Low Income Housing Tax Credit (LIHTC) and to urge you to take the lead in the Senate in opposing any provision to sunset this program. Since 1986, \$8.3 million in credit authorization has leveraged over \$117 million in development funding to produce 2,476 affordable housing units in Rhode Island. The tax credits have raised \$41 million in equity from companies such as Harsco, CVS, and Nyco to cover approximately one third of the cost of each development. Without the tax credit this private investment would not take place.

Although corporations are investing in tax credits, this is not corporate welfare. This is a program whose primary beneficiaries are the lower income citizens of Rhode Island and the urban neighborhoods which are revitalized through this investment. Coupled with substantial funding cuts at HUD, the State of Rhode Island does not have the resources necessary to develop affordable rental housing without the LIHTC. Developments such as Project Renew in Lincoln, Centennial and Cogswell Homes in Central Falls, West End in Providence, and Constitution Hill in Woonsocket cannot be accomplished without the LIHTC Program.

The LIHTC program provides an efficient mechanism for raising capital for development. The cost is more than offset by the generation of federal and state taxes and the creation of jobs. This is a funding mechanism that should be encouraged rather than eliminated.

I know that you have been a key supporter for this program in the past and I am sure that we can count on your help in the current session.

Sincerely,


Lincoln Almond
Governor



State of South Carolina

Office of the Governor

DAVID M. BEASLEY
GOVERNOR

October 9, 1995

**Post Office Box 1369
COLUMBIA 29211**

**The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, DC 20510**

Dear Mr. Chairman:

I am writing to express my deep concern over the House Ways and Means Committee's decision to sunset the Low-Income Housing Tax Credit (LIHTC) at the end of 1997.

The LIHTC is a decentralized program, administered by states according to their own needs in partnership with private enterprise. Here in South Carolina the Tax Credit accounts for virtually all of the production of affordable apartments. As other Federal programs continue to be reduced and we are actively pursuing welfare reform, the loss of this program would be detrimental.

The Tax Credit is an important partner to welfare reform and an important partner to economic development. I join the National Governors' Association, the Republican Governors' Association, and many of my colleagues across the nation in urging you to prevent the Tax Credit sunset.

Sincerely,


David M. Beasley



OFFICE OF THE GOVERNOR

P.O. BOX 64720

BOISE 83720-0034

PHILIP E. BATT
GOVERNOR

(208) 334-2100

November 9, 1995

The Honorable Newt Gingrich
United States House of Representatives
Washington, D.C. 20510

The Honorable Bob Dole
United States Senate
Washington, D.C. 20510

Dear Speaker Gingrich and Senate Majority Leader Dole:

I am writing to share with you my concerns on the current situation and potential negative effects the proposed legislation by Chairman Archer of the House Ways and Means Committee will have on the Low-Income Housing Tax Credit program in Idaho. The Tax Credit program, critical to affordable housing in Idaho, is included for a 1997 sunset in the House (HR 2491), while the Senate (S1357) has included it as a permanent program.

As you know, the House and Senate Conference Committee is working out differences in the two bills today and tomorrow. I urge you to counsel the conferees to keep the status of the Tax Credit program permanent. It is a vital part of Idaho's statewide strategy to reduce low-income families' dependence on other costly forms of public assistance.

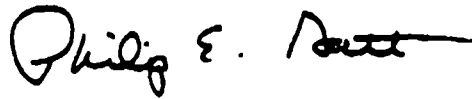
This program has been of significant benefit to Idahoans. In fiscal year 1995, Idaho allocated \$1.6 million in Tax Credits to leverage 15 projects. Today, over 3,300 apartment units developed under the Tax Credit program are in service in Idaho. An additional 750 units are under construction or in pre-development stages.

The Tax Credit program is not a direct spending program of the federal government like so many other housing programs, but rather offers tax incentives to the private sector to invest capital into these difficult-to-finance housing efforts. The program builds partnerships between public and private sectors to very efficiently draw capital into solving Idaho's housing dilemma.

Permanence for the Tax Credit program has attracted high quality developers and corporate investors. Idaho is grateful that these corporations invest a portion of their profits in the affordable housing market. Many Idahoans would go without an affordable place to live because such rental units would simply not be built.

Idahoans have appreciated and depended upon you and your colleagues consistent support for the Tax Credit program for many years. Please preserve the present permanent status.

Very truly yours,

A handwritten signature in black ink, appearing to read "Philip E. Batt", with a long horizontal flourish extending to the right.

Philip E. Batt
Governor

PEB:jap



STATE OF DELAWARE
OFFICE OF THE GOVERNOR

THOMAS R. CARPER
GOVERNOR

September 25, 1995

The Honorable William V. Roth
United States Senate
4327 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Roth:

I am gravely concerned over action taken by the House Ways and Means Committee to sunset the federal Low Income Housing Tax Credit program. As Chairman of the Senate Finance Committee, I ask you to provide the leadership to maintain the permanent status of the Tax Credit program in the Senate Reconciliation Bill and in the House/Senate conference.

First, the Tax Credit program is efficient. Not only is there no federal bureaucracy associated with it, but the program has been enormously successful in leveraging private sector investment. In 1995 alone, Tax Credits leveraged \$12,520,449 in private funds in Delaware - \$8,050,449 from equity investments and \$4,470,000 from private lending institutions.

The Tax Credit program is also productive. Since its creation in 1986, the Tax Credit program has created or preserved over 2,400 apartments in Delaware. These apartments are affordable, attractive and meet the needs of low-income working families. In Delaware, the Tax Credit program is the only significant program producing new affordable rental units. The sunset of this program would strike a serious blow to efforts to help more working families move down the road to self-sufficiency.

At a time when most other federal housing programs are on the brink of being downsized or eliminated, it is senseless to eliminate the Tax Credit program, which has proven its effectiveness. For Delaware, and the nation, I urge you to take strong action to preserve the permanent status of the Low Income Housing Tax Credit.

Sincerely,

Thomas R. Carper
Governor

TRC:lcs

LEGISLATIVE HALL
DOVER, DE 19901
302/739-4101
FAX 302/739-8778

CARVER STATE OFFICE BLDG.
WILMINGTON, DE 19801
302/577-8210
FAX 302/577-8118

HOWARD DEAN, M.D.
Governor



State of Vermont
OFFICE OF THE GOVERNOR
Montpelier 05609

Tel.: (802) 828-3383
Fax: (802) 828-3389
TDD: (802) 828-3346
October 16, 1995

Honorable William V. Roth, Jr., Chairman
Committee on Finance
United States Senate
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Roth,

I understand your committee will soon begin work on the budget Reconciliation Bill. I am deeply concerned about the House Ways and Means Committee's effort to sunset the Low Income Housing Tax Credit (LIHTC) and urge your committee to sustain permanence of this credit and to insist on its inclusion with the House.

This credit is a very important tool used by our affordable housing providers to preserve, build and rehabilitate housing for low and moderate income Vermonters. It has helped us provide good affordable housing to over 1800 lower income households since the credit was authorized in 1987. The credit has raised over \$40 million in private investment in affordable housing and is an outstanding example of public/private partnerships. Our efforts to provide safe, decent and affordable housing to our most needy citizens would be crippled should this credit be allowed to sunset.

As you know, the LIHTC has generated over 800,000 new affordable apartments nationwide and is responsible for the creation of almost every new affordable apartment built in this country. With other housing funds being cut drastically, preserving this credit is critical to our national housing efforts.

I urge you and the committee to sustain the permanence of the LIHTC in your Budget bill and in the Conference committee.

Sincerely,

A handwritten signature in dark ink, appearing to read "Howard Dean".

Howard Dean, M.D.

HD/jb

STATE OF MARYLAND
OFFICE OF THE GOVERNOR



PARRIS N. GLENDENING
GOVERNOR

ANNAPOLIS OFFICE
STATE HOUSE
100 STATE CIRCLE
ANNAPOLIS, MARYLAND 21401
(410) 374-2801

WASHINGTON OFFICE
SUITE 311
144 NORTH CAPITOL STREET, N.W.
WASHINGTON, D.C. 20001
(202) 636-2215

September 20, 1995

700 (410) 323-3088

The Honorable William V. Roth
Chair
Senate Finance Committee
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20515

Dear Senator Roth:

The State of Maryland is concerned about the proposal approved by the House Ways and Means Committee to sunset the Low Income Housing Tax Credit (LIHTC). If adopted by Congress, this proposal will result in the elimination of one of the most effective tools for states to provide decent, safe and sanitary housing for low-income households. It is crucial that the Senate Finance Committee reject the incorporation of any sunset language that results in the termination of the Low Income Housing Tax Credit.

With reduction of other federal housing subsidies, LIHTC is one of the few remaining federal incentive programs for the production of low income housing in Maryland. In calendar year 1994, Maryland received requests for \$29,588,240 of tax credits and awarded its entire credit allowance of \$8,966,537. Clearly, the demand for the tax credit program is considerable. The tax credits awarded in 1994 resulted in the development of 32 projects consisting of 2,677 units of low-income rental housing. The 1994 LIHTC allocation also had an economic spin-off of approximately \$24.8 million and created approximately 1,053 jobs in Maryland. The loss of this resource will have a devastating effect on housing production throughout the State.

At the local level, tax credits are awarded to nonprofit and profit-motivated developers of eligible housing projects. The developer sells an interest in the project to investors who can use the LIHTC to both raise equity for the development of housing and leverage other federal, state, local and private funds.

At the state level, the Community Development Administration, Maryland's Housing Finance Agency, awards the LIHTC statewide on a competitive basis. Eligible housing projects are evaluated against federal requirements and state housing priorities as outlined in Maryland's LIHTC allocation plan. Projects financed with tax-exempt bonds may

Senator Roth
September 20, 1995
Page 2

be eligible for a tax credit outside of Maryland's credit ceiling. Although tax-exempt projects do not compete for an award, they must still comply with the criteria in the allocation plan.

The State of Maryland strongly opposes any effort to repeal this successful program. If we can provide additional information or assistance, please do not hesitate to contact Patricia Payne, Secretary of Maryland's Department of Housing and Community Development at (410) 514-7007. Your staff may also contact Dorothy Stucke, the Department's Federal Legislative Liaison Officer, at (410) 514-7010.

Sincerely,

A handwritten signature in black ink, appearing to read "Parris N. Glendening", with a long, sweeping horizontal stroke extending to the right.

Parris N. Glendening
Governor

JOHN A. KITZHABER
GOVERNOR



October 10, 1995

The Honorable William Roth
Chairman, Senate Finance Committee
United States Senate
219 Dirksen Senate Office Building
Washington, D C. 20510

Dear Chairman Roth.

I am writing to urge you not to sunset the Low Income Housing Tax Credit Program, which has mustakenly been included in a group of "corporate welfare" tax credits being considered for elimination.

Given the hard choices facing our congressional leaders to balance the budget, I ask you not to eliminate a program which has successfully leveraged private sector investment to address a growing social need.

In Oregon, housing costs have increased dramatically as wages have dropped. The LIHTC has produced over 10,000 units of affordable housing for households earning less than 60 percent of median income - about \$20,000/year for a family of four in Oregon. By combining services such as job training and day care, the LIHTC program has helped thousands of working poor access safe, decent and affordable housing.

Along with the progressive reforms of healthcare and welfare in our state, the LIHTC is a critical linch-pin in our strategy to help low-income families move towards independence from government assistance. And, it does so using private sector resources which would be invested elsewhere were it not for this successful program.

I urge you not to sunset the Low Income Housing Tax Credit.

Sincerely,

A handwritten signature in dark ink, appearing to read "John A. Kitzhaber".

John A. Kitzhaber

JAK:ml/hcsd



EXECUTIVE CHAMBERS
HONOLULU

BENJAMIN J. CAYETANO
GOVERNOR

September 19, 1995

The Honorable Bill Archer
U.S. House of Representatives
1236 Longworth House Office Building
Washington, D.C. 20515-4307

Dear Mr. Chairman:

I am writing on behalf of the State of Hawaii to urge you to drop from your budget reduction bill the sunset of the Low-Income Housing Tax Credit (LIHTC) Program.

This program is vital to the creation and rehabilitation of truly affordable rental housing for a population group that cannot afford to purchase a home. Here in Hawaii, where housing costs often top national surveys, the availability of good affordable rental housing units is crucial.

This tax credit program which has created over 1,000 units in our small state alone along with the creation of construction industry jobs and related employment should not be sunseted.

With warmest personal regards,

Very truly yours,


BENJAMIN J. CAYETANO



**EXECUTIVE CHAMBERS
HONOLULU**

**BENJAMIN J. CAYETANO
GOVERNOR**

October 2, 1995

**The Honorable William V. Roth, Jr.
Chairman, Committee on Finance
United States Senate
SD-219 Dirksen Senate Office Building
Washington, D.C. 20510-6200**

Dear Mr. Chairman:

I am writing on behalf of the State of Hawaii to urge you to drop from your budget reduction bill the sunset of the Low-Income Housing Tax Credit (LIHTC) Program.

This program is vital to the creation and rehabilitation of truly affordable rental housing for a population group that cannot afford to purchase a home. Here in Hawaii, where housing costs often top national surveys, the availability of good affordable rental housing units is crucial.

This tax credit program which has created over 1,000 units in our small state alone along with the creation of construction industry jobs and related employment should not be sunseted.

With warmest personal regards,

Very truly yours,

***Benjamin J. Cayetano*
BENJAMIN J. CAYETANO**



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR

Little Rock 72201

Jim Guy Tucker
Governor

September 22, 1995

The Honorable William V. Roth, Jr.
United States Senator
Suite 104
Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Roth:

Since 1986, the Low Income Housing Tax Credit Program has financed over 7,500 badly needed low-income rental apartments in Arkansas. The \$3 million Arkansas receives annually is an excellent incentive for private sector developers to build low-income apartments for poor families.

This week the House Ways and Means Committee voted to sunset this important resource in two years. Next week, the Senate Finance Committee will consider a similar bill. I am troubled by this because I believe sunset amounts to repeal, resulting in profound harm to low income renters in Arkansas.

Because private sector participants believed Congress in 1993 when the legislature made the Tax Credit permanent, they set aside hundreds of millions of dollars to support affordable housing. Without the tax credit, this money will dry up, and Arkansas will be left without any support of low income rental housing.

The Tax Credit provides affordable rental housing to the elderly, the physically challenged, and low income households with children. It has helped to construct needed housing in rural and small communities. It helps non-profit organizations engaged in housing development increase their capacity so that they are less reliant on future subsidies. It generates jobs. More than 15,000 temporary and permanent jobs have been created over the last three years because of the Low Income Housing Tax Credit Program. Since the program's creation in 1986, it has pumped hundreds of millions of dollars into local communities as a result of leveraging and the multiplier effect it has on the economy.

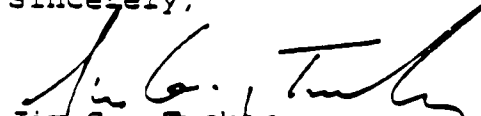
Arkansas needs housing for its citizens who work, but cannot afford decent housing for their families. In both the southwestern and northwestern parts of the state, housing is so

The Honorable William V. Roth, Jr.
September 22, 1995
Page 2

scarce that workers must commute for up to two hours in order to have a place to stay. Should industries wish to expand operations, they will be forced to look for opportunities in other areas and perhaps outside the United States.

This program has produced outstanding results, so I am puzzled and deeply troubled to hear that it may be lost. I hope that in your deliberations on the future of the Tax Credit, you will consider its past success as a barometer of its effectiveness. I consider this program to be an outstanding investment in the future of our nation.

Sincerely,



Jim Guy Tucker

JGT:at

cc: Senator Dale Bumpers
Senator David Pryor
Representative Blanche Lambert- Lincoln
Representative Ray Thorton
Representative Tim Hutchinson
Representative Jay Dickey



STATE OF MAINE
OFFICE OF THE GOVERNOR
1 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0001

ANGUS S. KING, JR.
GOVERNOR

September 21, 1995

The Honorable William V. Roth, Jr.
United States Senate
104 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Roth:

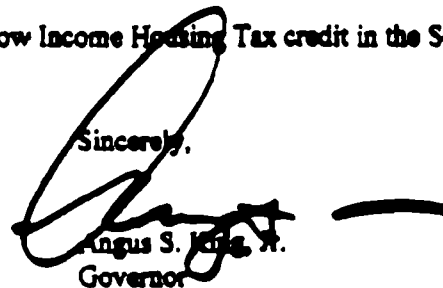
I am concerned that the Low Income Housing Tax Credit may be included in a package of "corporate welfare" reforms in the pending tax bill. I strongly support the National Governors' Association position in favor of a permanent tax credit. The tax credit is to create multi-family housing that is affordable to our low and moderate income citizens.

This tax credit has had bipartisan support since its inception. It has generated over \$12 billion in housing investments nationwide. More important to me, *it generates \$25 million per year in investment in Maine. This incentive has created almost 4,000 new and rehabilitated affordable homes.* Much of this housing has been created in the most economically pressed parts of our state, and the additional economic impact of this investment has a major, positive effect.

This tax credit does not fit into the same category as tax deductions for items such as business entertainment because it does not provide a break for an expense that is likely to be made anyway. It works more like the charitable tax deduction, which encourages people to do good beyond their own interests. Any effort to review tax credits and deductions should look at the public policy benefit of each on its own merits. By that standard, this credit deserves to be retained on a permanent basis. Taken in context with the HUD appropriations bills, which include no increase in rent subsidies, this program becomes even more important to Maine and the nation.

I urge you not to include a sunset of the Low Income Housing Tax credit in the Senate Finance Committee's tax bill.

Sincerely,


Angus S. King, Jr.
Governor

ASK/lsa

cc: Maine Congressional Delegation



Governor Letters Sent to President Clinton
Supporting Tax Credit Permanency

Arkansas	Jim Guy Tucker
Florida	Lawton Chiles
Kentucky	Brereton C. Jones
Missouri	Mel Carnahan
Oregon	John A. Kitzhaber
Vermont	Howard Dean, M.D.
Washington	Mike Lowry



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR

State Capitol
Little Rock 72201

Jim Guy Tucker
Governor

December 7, 1995

The Honorable William Jefferson Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

I am writing you to express my opposition to the sunset of the low income housing tax credit (LIHTC). Given the immense pressure to balance the budget in seven years, there will be few resources and even less political will to reinstate the tax credit at a later time. Given the current political climate in Congress, such a sunset is an effective death warrant. I know you have many budget demands you must consider, but I hope you can stand firm in your support for this important housing resource.

On June 25, 1995, you were in Little Rock to dedicate the Mahlon Martin Community Apartments. This complex has become a source of pride for the community and its residents and has continued the revitalization of the Main Street area. Without the involvement of the LIHTC, this once dilapidated complex would not have been renovated.

The housing tax credit is one of the most effective programs to encourage public and private investment in the development of affordable housing. No other effort has leveraged millions of private dollars to build affordable housing. Other housing complexes in Arkansas that would not have been completed include the Fairways at Lost Springs in Rogers, the Turtle Creek Apartments in Monticello, and the Gladiola Apartments in Jonesboro.

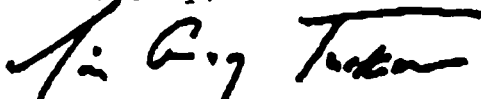
Over the last three years, the housing tax credit has helped create 15,000 temporary and permanent jobs here in Arkansas. It has leveraged \$450 million in the renovation and construction of affordable housing. During that same period, the tax credit helped to spur over \$500 million in related economic activity in local communities. Since 1986, the low income housing tax credit has built or renovated over 8,000 units of affordable housing. Many of the tenants are the working poor and the elderly.

The Honorable William Jefferson Clinton
December 7, 1995
Page 2

If you allow the tax credit to be sunset, Arkansas would lose at least \$15 million a year in private investment and hundreds of affordable housing units. The loss of this resource would negatively impact thousands of jobs and would seriously impair our ability to provide safe and affordable housing for low income and elderly citizens.

As you proceed with these budget negotiations, I urge you to accept nothing less than continued permanence for the low income housing tax credit. Reject the sunset!

Sincerely,



Jim Guy Tucker

JGT:lk:at

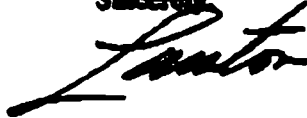


The Honorable Bill Clinton
November 14, 1995
Page 2

I urge you to look out for the best interests of Floridians and support the positive effects of the Tax Credit Program by voting the Budget Reconciliation Bill. On behalf of the thousands of Floridians served by the program, I thank you for your support and assistance. Please let me know if you need additional information or assistance of any kind.

With kind regards, I am

Sincerely,

A handwritten signature in dark ink, appearing to read "Lawton", with a stylized flourish extending from the end.

LAWTON CHILES

LC/tp

Enclosure



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

BRECKTON C. JONES
GOVERNOR

THE CAPITOL
700 CAPITAL AVENUE
FRANKFORT 40601
(502) 364-2611

September 26, 1993

The Honorable Bill Clinton
President of the United States of America
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mr. President:

I am writing to seek your support and help in saving the federal Low Income Housing Tax Credit Program from the sunset proposed by the House Ways and Means Committee. It is my sincere belief that if this important federal program is allowed to expire, it will not be revived. This would mean the end of the only remaining incentive for the private sector to construct multifamily housing for the working poor of America.

In the Commonwealth of Kentucky, this program, since its inception in 1987, has created over 10,000 units of affordable housing at an average cost of \$38,726 per unit. The cost to the U.S. Treasury for the ten-year period of the tax credits for these apartments is only \$19,830 per unit. Another 3,500 units are under construction or completed and ready to be placed in service.

I also want to clarify that this program is not truly "corporate welfare" because investment capital for the projects has also come from individual taxpayers. The tax laws, as presently written, favor corporate investment in these projects only because individual taxpayers are limited in the amount they may invest. Investment by corporations only began in earnest after August 1993 when Congress permanently extended this worthwhile program.

In Kentucky, the apartment complexes are carefully monitored for compliance with the requirements of the program as established by Congress. The few minor violations that have been encountered have been reported to the Internal Revenue Service, as required. The



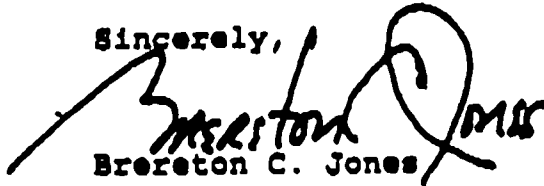
The Honorable Bill Clinton
September 26, 1995
Page Two

compliance staff have actively worked with the project owners to correct violations, recertify the units as eligible and train project managers in the regulations and requirements as established in Internal Revenue Code Section 42.

In summary, I wish to convey my support for the Low Income Housing Tax Credit Program, seek your support and reassure you that if this vital program is extended, Kentucky will continue to make every effort to administer it in the way Congress intended.

With best regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "Brereton Jones", with a large, stylized flourish extending from the end of the signature.

Brereton C. Jones

JT:dh



OFFICE OF THE GOVERNOR
STATE OF MISSOURI
JEFFERSON CITY
65101

MEL CARNAHAN
GOVERNOR

STATE CAPITOL
ROOM 818
(314) 751-3882

September 29, 1995

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to urge you to oppose the proposal, recently passed by the U.S. House of Representatives, to sunset the Low Income Housing Tax Credit. The Low Income Housing Tax Credit is the single most effective tool available to the states to create low income rental housing.

In Missouri, we estimate there is a shortage of 160,000 affordable housing units. Since 1986, the tax credit program has helped finance over 1,100 developments consisting of 19,715 units of quality low income rental housing. In 1995 alone, the tax credit program generated 2,441 new units. These developments in Missouri account for one-fourth of all multi-family rental housing construction in the state and virtually all low income rental housing construction.

Since the tax credit program was established in 1986, it has helped produce over 730,000 rental units nationwide for low income families and individuals. The National Association of Homebuilders estimates that, each year, construction of tax credit units across the country results in the creation of 55,000 jobs and more than \$1.8 billion in wages and tax revenues in the U.S. Without the tax incentive provided by the tax credit program, these units would not have been built.

Although corporations are the principal investors in the tax credit program, it is not "corporate welfare." Corporations are the principal investors because the General Limitation on credits in the 1986 Tax Act has effectively knocked individual investors out of the tax credit market, leaving corporations practically the only investors in the tax credit program.

The President

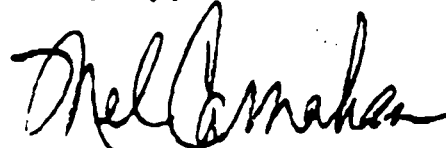
Page 2

September 29, 1995

States are already being asked to take on more responsibilities with less financial assistance from the Federal Government. Currently there is no other funding mechanism or program to take the place of the tax credit program, yet the need for affordable housing continues to grow.

I encourage you to carefully consider all of the positive social and economic benefits of the Low Income Housing Tax Credit Program before agreeing to any bill that contains a sunset provision for the tax credit.

Very truly yours,



Mel Carnahan

JOHN A. KITZHABER
GOVERNOR



November 17, 1995

The Honorable William J. Clinton
President of the United States
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Clinton:

As the Congressional Budget Reconciliation bill reaches your desk, I understand that there are many issues within the bill that will necessitate your veto. I would hope the issues with which you are concerned include the proposals to substantially reduce the Earned Income Tax Credit (EITC) and to sunset the Low-Income Housing Tax Credit Program.

As you may know, we in Oregon have undertaken an aggressive welfare reform program over the past two years. In addition, we are also seeking additional waivers to expand and strengthen these efforts to help low-income people become self-sufficient. When establishing our policy directions for welfare reform, we have expected that those people moving off public assistance will continue to have other public supports, such as affordable housing and access to EITC. It is not reasonable to expect that people living in poverty can easily move from welfare into self-sufficiency without some additional assistance. The approach taken by Congress does not support the concept of providing a continuum of assistance to help low-income persons move to total self-sufficiency. By reducing or eliminating those programs which help people stay off welfare, we are likely to see many people returning to public assistance. If the bottom-line concern is with creating incentives for low-income persons to work, then we must realize that they may need additional support for a temporary period. Both the EITC and low-income housing are critical to successful welfare reform strategies.

I appreciate your consideration and hope that these two items will be included in those around which you will seek additional compromises from Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "John A. Kitzhaber".

John A. Kitzhaber, M.D.

JAK:jit:j

HOWARD DEAN, M.D.
Governor



State of Vermont:
OFFICE OF THE GOVERNOR
Montpelier 05609

Tel.: (802) 624-4344
Fax: (802) 624-8333
TDD: (802) 624-4344

November 16, 1995

The Honorable William J. Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

I am writing to express my continued concern about the Low Income Housing Tax Credit (LIHTC) and the recent action taken by the conferees on the Budget Reconciliation Bill in which they agreed to the House position of sunsetting this program. As I indicated to you in my letter of September 20, 1995, this program is crucial to our efforts in providing affordable housing to low and moderate income Vermonters.

Now that it appears likely you will veto this bill, it is my hope that you will make removal of the sunset provision for the LIHTC a condition for signing the bill Congress finally sends you. We need this program in Vermont and I urge you to continue your strong support on its behalf.

Sincerely,

A handwritten signature in black ink, appearing to be 'H. Dean'.

Howard Dean, M.D.
Governor

HD/mko



STATE OF WASHINGTON
OFFICE OF THE GOVERNOR

P.O. Box 40002 • Olympia, Washington 98504-0002 • (360) 753-6780 • TTY/TDD (360) 753-6460

November 17, 1995

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C., 20500

Dear President Clinton:

I am writing to ask you to prevent the sunset of the Low-Income Housing Tax Credit program. It is a critical component in our state's effort to provide low-income housing. It provides a significant public incentive which works to leverage private investment in low-income housing.

I am fully in support of your efforts to bring greater balance to the Congressional budget, and your efforts to ensure that the budget is balanced without sacrificing the health of vulnerable senior citizens and children, or the health of the environment or the education of our youth.

I am writing to recommend that you also include the sunset of this valuable program as another reason to veto the reconciliation bill. This program plays a significant role in the partnerships that produce low-income housing in Washington State, particularly in the development of low-income apartments. Since its inception, the program has provided 12,667 low-income units in our state and approximately 800,000 nationally.

Thank you for considering this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Lowry", written over a circular embossed seal.

MIKE LOWRY
Governor

United States Senate

WASHINGTON, DC 20510-0903

October 5, 1995

The Honorable William V. Roth, Jr.
Chairman
Senate Committee On Finance
Washington, D.C. 20510

Dear Senator Roth:

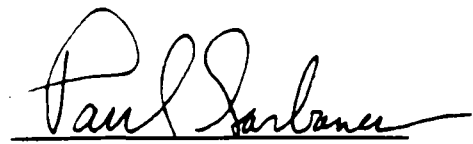
We are writing to express our opposition to the decision by the House Ways and Means Committee to sunset the Low Income Housing Tax Credit (LIHTC) program at the end of 1997.

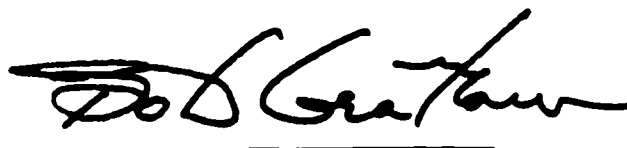
The LIHTC has been extremely successful since its enactment as part of the Tax Reform Act of 1986. Today, the LIHTC is one of the primary government tools for attracting private investment in affordable rental housing. Nearly one in four apartments constructed use the LIHTC as part of its financing package. The National Association of Home Builders estimates that the construction activity associated with the program creates about 90,000 jobs each year, paying \$2.8 billion in wages and generating \$1.3 billion in tax revenues.

The LIHTC works well because it supports a public-private partnership approach to affordable housing production. The states administer the program according to their housing needs and their partners bring investments, management discipline, and development expertise. For many nonprofit housing developers, the tax credit provides critical access to much-needed equity. Since the program began, the LIHTC program has mobilized more than \$12 billion in private investment in affordable housing.

As the Senate Finance Committee proceeds to work on tax legislation this month, we urge you to do everything you can to ensure that the legislation does not include any provisions that would end the Low Income Housing Tax Credit.

Sincerely,


Paul Sarbanes


Bob Graham

Patrick Leahy

Carl Hayden

Jay Byrnes

Chuck Robb

~~Robert Kennedy~~

~~Samuel J. Ervin~~

Wendell Wyatt

~~Wendell Wyatt~~

Bayard Rustin

Hubert H. Hefner

John Glenn

Patty Murray

Tom Vucelja

Max Baucus

Barbara A. Mikulski

W. Frank

Paul Wellstone

Tom Harkin

Herb Kohl

Chin. D.M.

John Breaux

Carl Levin

John J. Chafee

Barbara Boxer

J. Biden

Dale Bumpers

October 11, 1977

Fitz Hollings

Ed Kennedy

Daniel X Shea

Hankson I

Harry Reid

Clair Fe

My Buzum

Frank R. Lautenberg

Frank R. Lautenberg

Senate Graham/Sarbanes Democratic Sign-On Letter

D-AL	Howell Heflin
D-AR	Dale Bumpers
D-AR	David Pryor
D-CA	Barbara Boxer
D-CT	Christopher Dodd
D-CT	Joseph Lieberman
D-FL	Bob Graham
D-HI	Daniel Akaka
D-HI	Daniel K. Inouye
D-IA	Tom Harkin
D-IL	Carol Moseley-Braun
D-IL	Paul Simon
D-LA	John Breaux
D-LA	Bennett Johnston
D-MA	Edward Kennedy
D-MA	John Kerry
D-MD	Barbara Mikulski
D-MD	Paul Sarbanes
D-MI	Carl Levin
DFL-MN	Paul David Wellstone
D-MT	Max Baucus
D-ND	Kent Conrad
D-ND	Byron Dorgan
D-NE	J. Robert Kerrey
D-NJ	Frank Lautenberg
D-NM	Jeff Bingaman
D-NV	Harry Reid
D-NV	Richard Bryan
D-OH	John Glenn
D-RI	Claiborne Pell
D-SC	Ernest Hollings
D-SD	Thomas Daschle
D-VA	Charles Robb
D-VT	Patrick Leahy
D-WA	Patty Murray
D-WI	Herbert Kohl
D-WV	John Rockefeller

JOHN T. CHAFFEE
RHODE ISLAND

CHAIRMAN, COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
COMMITTEE ON FINANCE
SENATE ARMS CONTROL
OBSERVER GROUP

United States Senate

October 31, 1995

WASHINGTON OFFICE
WASHINGTON, DC 20510
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SUITE 221
PROVIDENCE, RI 02903
(401) 528-6294
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IN RHODE ISLAND
1-800-682-6188

The Honorable William V. Roth, Jr.
Chairman
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

We are writing to express our deep concern over the House Ways and Means Committee's decision to sunset the Low-Income Housing Tax Credit (LIHTC) at the end of 1997. As you are no doubt aware, permanent extension of this program was supported by nearly ninety percent of the Senate as recently as 1992. We believe that there is no justification for terminating the program, and given the current budget pressures, there is little doubt that a sunset of this program is equivalent to killing it.

Since its creation in 1986, the LIHTC has been tremendously successful at attracting private investment to affordable rental housing. Today, it accounts for virtually all of the production of low-income rental housing and one out of every four apartments constructed nationwide. Since 1987, nearly 800,000 units of rental housing for lower income working families and the elderly have been constructed or rehabilitated with the credit. According to the National Association of Home Builders, the program creates about 90,000 jobs a year, resulting in \$2.8 billion in wages and \$1.3 billion in tax revenue.

The LIHTC is a decentralized program, administered by states according to their specific housing needs, free of interference from Washington, and with the strong guiding hand of the private sector. The LIHTC is successful because it is a market driven program in which investors exercise strict business discipline over the development and long term operation of the housing. This has enabled the program to mobilize more than \$12 billion in private capital for public benefit.

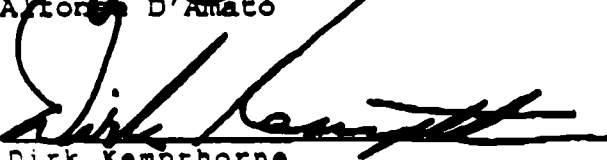
The Honorable William V. Roth, Jr.
October 31, 1995
Page 2

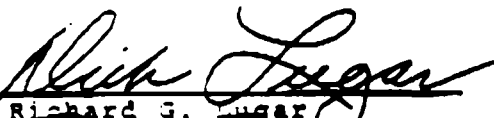
These are only a few of the reasons why the nation's governors view the LIHTC as crucial program that must be preserved. In fact, the National Governors Association has called for its expansion. The NGA, along with the Republican Governors Association, and at least eleven Republican Governors, have already written Congress to express their opposition to the House proposal.

We share that view and strongly urge you to do everything you can to make sure that the tax credit is not sunset.

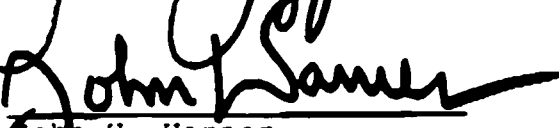
Sincerely,

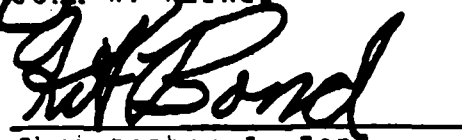

Alfonse D'Amato


Dirk Kempthorne


Richard G. Lugar

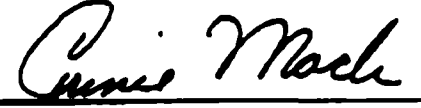

James M. Jeffords


John W. Warner

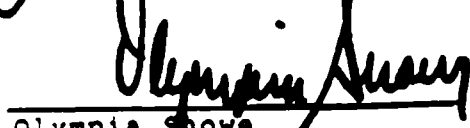

Christopher S. Bond


John W. Chafee

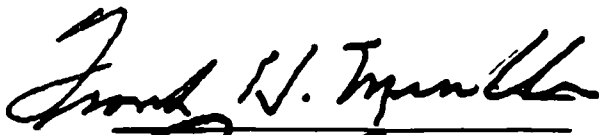

Charles E. Grassley

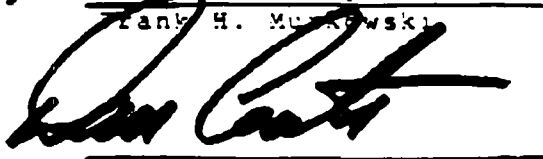

Connie Mack


Judd Gregg


Olympia Snowe


Mike DeWine

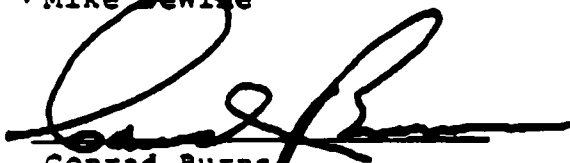

Frank H. Murkowski

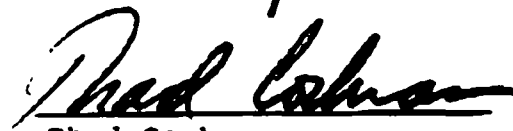

Dan Coats


William S. Cohen

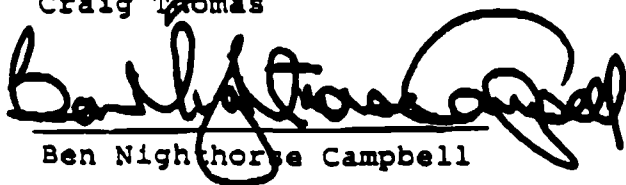

Slade Gorton


Mike Sewing

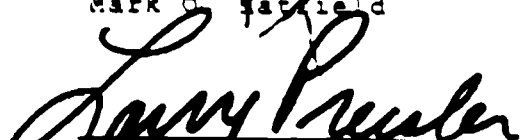

Conrad Burns

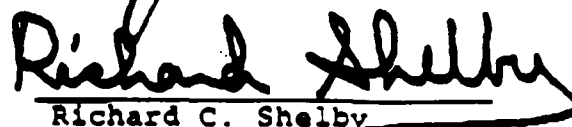

Thad Cochran

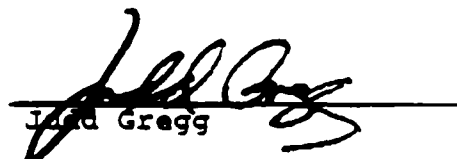

Craig Thomas


Ben Nighthorse Campbell


Mark O. Hatfield


Larry Pressler

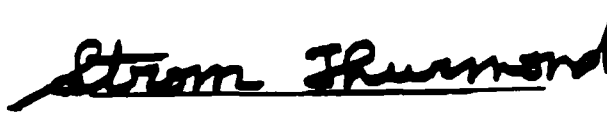

Richard C. Shelby

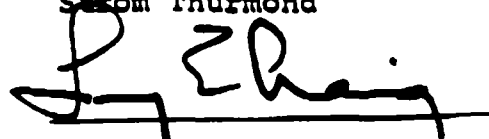

Judd Gregg


Jesse Helms


Bob Smith


Rod Grams


Sarom Thurmond


Larry E. Craig

The Honorable William V. Roth, Jr.
October 31, 1995
Page 4



Rick Santorum



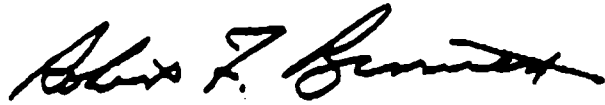
Arlen Specter



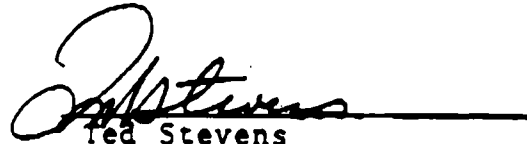
Mitch McConnell



Orrin G. Hatch



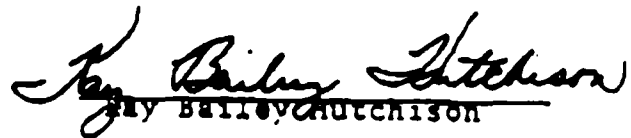
Robert F. Bennett



Ted Stevens



John McCain



Kay Bailey Hutchison

Senate Chafee/D'Amato Republican Sign-On Letter

Bennett, Robert F. - (R-UT)
Bond, Christopher (Kit) - (R-MO)
Burns, Conrad - (R-MT)
Campbell, Ben Nighthorse - (R-CO)
Chafee, John H. - (R-RI)
Coats, Dan - (R-IN)
Cochran, Thad - (R-MS)
Cohen, William S. - (R-ME)
Craig, Larry E. - (R-ID)
D'Amato, Alfonse M. - (R-NY)
DeWine, Mike - (R-OH)
Gorton, Slade - (R-WA)
Grams, Rod - (R-MN)
Grassley, Charles E. - (R-IA)
Gregg, Judd - (R-NH)
Hatch, Orrin G. - (R-UT)
Hatfield, Mark - (R-OR)
Helms, Jesse - (R-NC)
Hutchinson, Kay Bailey - (R-TX)
Jeffords, James M. - (R-VT)
Kempthorne, Dirk - (R-ID)
Lugar, Richard G. - (R-IN)
Mack, Connie - (R-FL)
McCain, John - (R-AZ)
McConnell, Mitch - (R-KY)
Murkowski, Frank - (R-AK)
Pressler, Larry - (R-SD)
Santorum, Rick - (R-PA)
Shelby, Richard C. - (R-AL)
Smith, Robert C. - (R-NH)
Snowe, Olympia J. - (R-ME)
Specter, Arlen - (R-PA)
Stevens, Ted - (R-AK)
Thomas, Craig - (R-WY)
Thurmond, Strom - (R-SC)
Warner, John - (R-VA)



September 21, 1995

The Honorable Robert J. Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

On behalf of the fifty states and the tens of thousands of low income Americans in them who still live in substandard housing conditions, we implore you to spare the federal Low Income Housing Tax Credit (Tax Credit) from the death sentence the Ways and Means Committee has imposed upon it.

That Committee's Budget Reconciliation Bill would sunset the Tax Credit in 1997. With the balanced budget deadline just seven years away, the effect of repealing Tax Credit permanence is to repeal the Tax Credit itself. If the Tax Credit is sunset, where will the revenue come from to resurrect it as 2002 draws nearer? We urge you to insist in the conference with the House on the permanent extension Congress gave the Tax Credit just 24 months ago.

Sunsetting the Tax Credit is not needed to balance the budget. In fact, the Ways and Means Committee bill raises billions more in taxes than needed to meet its reconciliation bill instructions and to pay for revenue losing provisions in the bill. The Committee mark justified sunset solely on the grounds of concerns about the Credit which Chairman Archer has asked GAO to study and report upon next year. Obviously, if Congress judges changes are needed at that time, it can make them. Sunsetting the program now, however, is like sentencing the accused without indictment, evidence, or trial!

Just three years ago, in the face of a deficit even deeper than today's, nearly 90 percent of the entire Senate cosponsored legislation which made the Tax Credit permanent. The Senate recognized that the high rents and deteriorating housing conditions of many low income Americans clearly require it.

Your support for the Tax Credit reflects your awareness of the nation's and your state's need for the lower income apartments it finances. It has produced nearly 800,000 rental homes for lower income people, nearly 10,000 of them in Kansas alone. It currently accounts for every fourth new apartment constructed and it finances rehabilitation of even greater numbers of old apartments into decent and affordable places for low income families to live. It finances nearly every apartment built in America for low income renters.

The Tax Credit is not some luxury, to be disrupted lightly. In fact, all the lower income apartments the Tax Credit finances each year in the United States barely exceed the low rent apartments lost each year to demolition, abandonment, or conversion to market rate use.

The Tax Credit's economic benefits help offset its cost. Tax Credit-financed development nationwide accounts for nearly 100,000 jobs, \$3.1 billion in wages, and \$1.5 billion in tax revenues annually.

Although corporations are the principal investors in the Tax Credits which finance these low income apartments, the Tax Credit is not "corporate welfare." Corporate Tax Credit investment has increased because the passive loss limitations in the 1986 Tax Reform Act strictly limit individual taxpayer use of Tax Credits. Corporate Tax Credit purchases finance homes for lower income families who could otherwise not have them. They do not finance some investment in themselves which corporations would make anyway. We who labor to provide this lower income housing are profoundly grateful that corporations are willing to invest in Tax Credits. If they did not, many lower income American parents and their children would have to go without a decent, affordable place to live.

Tax Credit permanence has attracted many new high quality developers into constructing lower income apartments. Permanence has also increased the Tax Credit's cost/benefit ratio to the federal government. Before Congress made the Tax Credit permanent, most investors ignored it as unlikely to survive long enough to be worthwhile. Fewer investors amounted to less demand and lower proceeds from Tax Credit sales. The prices investors pay for Tax Credits are more than 28 percent higher since program permanence attracted more investor competition.

To accept Tax Credit sunset is to accept its repeal. We hope we can count on you to oppose sunset, for all the reasons you supported permanence two years ago. We hope the enclosed materials are useful in that effort. The Tax Credit program is a federal/state/private partnership which works, a proud model of Congress' own creation. Do not hesitate to call if we can provide any further information on the program or its importance to your state.

Sincerely,


John T. McEvoy
Executive Director

Enclosures



November 1, 1995

Majority Leader Robert Dole
United States Senate
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

I am writing on behalf of the 50 states to thank you for sustaining the permanence of the Low Income Housing Tax Credit and to urge you to insist that the House drop their sunset provision in the Budget Reconciliation Bill conference. A decision to sunset the Tax Credit is a decision to repeal it. With budget pressures intensifying as we advance toward a balanced budget, the revenue simply will not be there in two years to reinstate the Credit, profoundly harming low income renters and the economy.

The House bill sunset provision goes against the basic Republican congressional agenda of less government and devolution of federal responsibilities to the states. For that reason it is opposed not only by the National Governors' Association, but also by the Republican Governors Association and by the leading congressional architects of Republican housing policy, including Senate Banking Committee Chairman D'Amato (R-NY), Senate Housing Subcommittee Chairman Mack (R-FL), Senate HUD Appropriations Subcommittee Chairman Bond (R-MO), and House Housing Subcommittee Chairman Lazio (R-NY).

Sixteen Republican governors, including all those of the largest states, have each written to ask you to reject the sunset provision: Governors Engler (MI), Bush (TX), Whitman (NJ), Edgar (IL), Pataki (NY), Branstad (IA), Wilson (CA), Leavitt (UT), Thompson (WI), Voinovich (OH), Carlson (MN), Rowland (CT), Racicot (MT), Schafer (ND), Almond (RI), and Beasley (SC).

These Republicans ask you to drop the House sunset provision because the Tax Credit works and fits perfectly with the Republican Revolution. If Congress were to set out today to create a new housing program which mobilized private and public resources, under state direction, with limited federal bureaucracy, to help finance privately-owned affordable rental apartments, it would create the Tax Credit. In fact, a Republican-controlled Senate did just that when it created the

Tax Credit in President Reagan's Tax Reform Act of 1986. Three-fourths of all Congressional Republicans cosponsored Tax Credit permanence when it became permanent in 1993.

The Tax Credit has sustained America's apartment construction industry for nearly a decade. Today it accounts for one out of every five new apartments constructed and virtually all new apartments built for low income renters. It pays for rehabilitation of hundreds of thousands of old apartments into decent and affordable homes for low income families. The 100,000 new Tax Credit financed apartments each year are essential to the national lower income apartment supply, barely replacing the number of low rent apartments lost every year to demolition, abandonment, or conversion to market rate use.

The Tax Credit has already produced nearly 800,000 rental homes for lower income people, over 9,600 of them in Kansas alone. Those decent and affordable places to live simply wouldn't exist without the Tax Credit. At the same time, it has generated substantial economic benefits—100,000 jobs, \$3.1 billion in wages and \$1.5 billion in tax revenues annually.

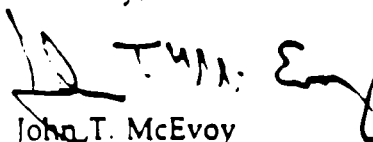
Tax Credit sunset would be a wasteful throwback to the expensive uncertainty which preceded permanence. Doubting the Tax Credit would last, many investors and builders stayed out of the market rather than invest time, money, and staff resources in a program which might simply disappear. That reduced demand reduced the equity raised by each Tax Credit dollar.

In just two years, Tax Credit permanence has attracted many new high quality developers and investors into intense competition for the limited supply of Tax Credits available each year, producing 28 percent more financing value for apartment construction from every Tax Credit dollar today compared to before permanence.

The House sunset provision will finance fewer apartments at greater cost to the government in 1996 and 1997. And none at all after that. House Ways and Means Chairman Archer has asked the GAO to review the Tax Credit. Depending on its findings, the Congress might want to make changes. But Congress does not have that study yet and no evidence that would begin to justify sunseting the program in 1997.

For all these reasons, we fervently ask you to insist on the Senate position of continued Tax Credit permanence. Decent homes for hundreds of thousands of lower income Americans depend on what you do.

Sincerely,


John T. McEvoy
Executive Director



September 13, 1995

The Honorable Bill Archer
U.S. House of Representatives
1236 Longworth House
Office Building
Washington, D.C. 20515-4307

Dear Mr. Chairman:

On behalf of the fifty states and the tens of thousands of low income Americans in them who still live in substandard housing conditions, we implore you to spare the Federal Low Income Housing Tax Credit (LIHTC) from the budget ax.

Just three years ago, in the face of a deficit even deeper than today's, two out of every three Republicans in the House cosponsored the LIHTC permanent extension contained in the 1993 Tax Act. They did so because they believed that the excessive rents and deteriorating housing conditions of many low income Americans clearly outweighed the budget cost of the program.

The LIHTC currently accounts for one out of every five new apartments constructed in our country and virtually every one of the new apartments built for low income renters. It finances rehabilitation of even greater numbers of old apartments into decent and affordable places for low income families to live. In fact, the additions financed by the LIHTC to the national lower income apartment supply -- even though in excess of 110,000 units last year -- barely exceed the number of low rent units lost each year to demolition, abandonment, or conversion to market rate use.

Although corporations are the principal investors in the tax credits which finance these low income apartments, the LIHTC is not "corporate welfare." Corporations are the principal investors because the General Limitation on Credits in the 1986 Tax Act has effectively knocked individual investors out of the tax credit market, leaving corporations as practically the only possible investors in the LIHTC.

Corporate LIHTC purchases finance decent and affordable homes for lower income families who would otherwise not have them, not some

investment in themselves which corporations would make anyway. We who labor to provide this lower income housing are profoundly grateful that the corporations which invest a portion of their profits in that housing are willing to do so. If corporations did not invest in the LIHTC, many lower income American parents and their children would have to go without a decent, affordable place to live.

We have appreciated and depended upon your and your Republican colleagues' consistent support for the Low Income Housing Tax Credit for many years, leading to its permanence in the 1993 Act, just 24 months ago.

We understand your disappointment that other important tax programs—including the R&D Tax Credit for corporations—were not also made permanent at that time. Hopefully, you will be successful in making other worthwhile tax programs permanent as well as the LIHTC. But we beg you not to permit the needs of low income renters to be traded off to pay for those other programs now.

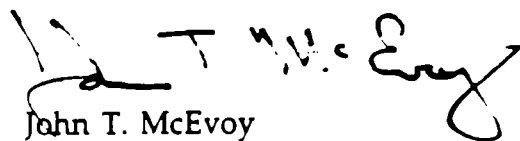
LIHTC permanence has attracted many new high quality developers into constructing lower income apartments. That has produced intense competition for the limited supply of Tax Credits available each year, resulting in a significantly higher yield in equity for such apartments for each dollar's worth of LIHTC sold. Returning to the stop-start status to which the LIHTC was subject before 1993 threatens that progress.

Moreover, we are sure you recognize that in the face of a balanced budget deadline just seven years away, the effect of repealing LIHTC permanence is a repeal of the LIHTC itself. If the LIHTC is sunset now, where will the revenue come from to resurrect it as 2002 draws nearer?

The LIHTC has played an important role in sustaining the apartment construction industry throughout the country for nearly a decade. It is playing a prominent part in the resurgence of a healthy Texas real estate industry. Vastly more important, the LIHTC has produced nearly 800,000 rental homes for lower income people, nearly 100,000 of them in Texas alone. Those decent and affordable places to live simply wouldn't exist without it.

Please do not sign the death warrant for the LIHTC which sunset would surely represent.

Sincerely,


John T. McEvoy
Executive Director

The Low Income Housing Tax Credit

(in dollars and number of apartments)

State	What It Has Accomplished				What Would Be Lost Without It		
	Tax Credit Allocations	Tax Credit Allocations	Low Income Apartments	Low Income Apartments	Tax Credit Dollars Lost	Tax Credit Equity Investment Lost	Low Income Apartments Lost
	1994	1987-1994	1994	1987-1994	1998-2002	1998-2002	1998-2002
Alabama	5,285,847	30,393,277	2,174	13,827	26,368,750	147,665,000	10,847
Alaska	1,039,603	2,990,943	115	602	3,787,500	21,210,000	419
Arizona	7,325,145	31,889,263	1,400	8,168	25,468,750	142,625,000	4,868
Arkansas	2,998,503	20,483,627	2,381	8,460	15,331,250	85,855,000	12,177
California	68,944,489	363,558,374	8,255	56,413	196,443,750	1,100,085,000	23,521
Colorado	7,274,796	33,525,335	1,270	8,528	22,850,000	127,960,000	3,989
Connecticut	6,569,044	29,166,111	997	5,077	20,468,750	114,625,000	3,107
Delaware	1,343,301	7,672,703	362	2,939	4,412,500	24,710,000	1,189
District of Columbia	1,014,409	4,876,145	435	2,277	3,562,500	19,950,000	1,528
Florida	31,548,169	148,583,327	6,837	41,384	87,206,250	488,355,000	18,900
Georgia	11,448,976	42,340,311	4,842	26,855	44,093,750	246,925,000	18,644
Hawaii	2,039,896	6,580,374	227	1,063	7,368,750	41,265,000	820
Idaho	2,264,236	11,072,313	548	3,331	7,081,250	39,655,000	1,714
Illinois	24,609,001	85,518,107	4,153	27,284	73,490,000	411,320,000	12,395
Indiana	14,481,806	49,394,239	3,449	14,856	35,950,000	201,320,000	8,562
Iowa	5,456,142	19,409,521	1,298	9,694	16,781,250	93,975,000	3,993
Kansas	4,691,691	26,567,891	1,739	9,687	15,962,500	89,390,000	5,916
Kentucky	7,807,701	35,697,637	1,781	13,604	23,918,750	133,945,000	5,456
Louisiana	7,871,374	31,012,235	2,772	20,005	26,968,750	151,025,000	9,496
Maine	2,336,458	8,064,889	525	3,053	7,730,000	43,400,000	1,742
Maryland	8,956,537	51,644,444	2,677	14,839	31,287,500	175,210,000	9,351
Massachusetts	10,170,229	69,362,649	2,397	12,848	37,756,250	211,435,000	8,898
Michigan	14,249,109	69,083,646	3,864	26,250	59,350,000	332,360,000	16,101
Minnesota	8,364,624	41,084,123	2,561	14,938	28,543,750	159,845,000	8,740
Mississippi	6,323,805	19,500,280	2,224	11,334	16,681,250	93,415,000	5,867
Missouri	8,432,574	46,683,806	2,579	17,066	32,987,500	184,730,000	10,088
Montana	1,613,646	4,941,915	430	1,492	5,550,000	29,960,000	1,426
Nebraska	3,188,721	15,285,675	800	5,260	10,143,750	56,808,000	2,545
Nevada	2,348,358	12,791,767	517	3,866	9,106,250	50,995,000	2,008
New Hampshire	1,620,448	4,430,538	470	1,467	7,106,250	39,795,000	2,061
New Jersey	16,583,711	74,500,196	2,136	13,217	49,400,000	276,640,000	6,363
New Mexico	3,656,819	14,470,076	850	4,642	10,337,500	57,890,000	2,403
New York	39,339,687	202,507,460	4,000	34,918	113,556,250	635,915,000	11,546
North Carolina	12,335,356	46,372,399	3,102	16,740	44,187,500	247,450,000	11,094
North Dakota	948,960	5,739,936	267	2,401	3,987,500	22,330,000	1,122
Ohio	21,689,499	112,226,731	6,136	42,905	69,387,500	388,570,000	19,629
Oklahoma	4,722,580	36,736,860	1,695	12,213	20,362,500	114,030,000	7,309
Oregon	5,140,736	29,884,841	1,008	8,743	19,287,500	108,010,000	3,782
Pennsylvania	12,442,684	89,892,846	3,291	22,700	75,325,000	421,820,000	19,922
Puerto Rico	498,168	18,444,343	239	6,799	22,012,750	123,271,288	10,563
Rhode Island	442,488	10,296,893	158	2,902	6,231,250	34,895,000	2,225
South Carolina	9,669,547	32,440,631	2,013	11,988	22,900,000	128,240,000	4,767
South Dakota	1,402,148	6,408,523	475	2,739	4,506,250	25,235,000	1,527
Tennessee	6,779,922	32,096,995	1,756	13,312	32,343,750	181,125,000	8,377
Texas	30,479,410	111,931,459	11,221	91,222	114,862,500	643,230,000	42,291
Utah	4,610,742	20,665,812	1,190	5,761	11,925,000	66,780,000	3,077
Vermont	1,435,933	5,961,743	383	2,390	3,625,000	20,300,000	954
Virgin Islands	198,136	560,674	44	3,432	636,308	3,563,308	141
Virginia	15,172,237	69,491,435	3,927	17,509	40,950,000	229,320,000	10,598
Washington	10,683,495	50,238,760	1,868	12,677	33,395,750	187,005,000	5,839
West Virginia	411,774	6,133,338	300	3,313	11,387,500	63,770,000	8,294
Wisconsin	14,813,594	52,610,905	3,893	16,940	31,762,500	177,870,000	8,348
Wyoming	730,671	3,787,863	95	1,075	2,975,000	16,660,000	387
Total	495,846,892	2,356,979,184	114,128	737,088	1,448,888,286	9,233,729,594	406,919

Tax Credit Dollars Lost includes each state's per capita credit authority for each of five years.

Tax Credit Equity Investment Lost assumes Tax Credits are sold at current market rates.

Low Income Apartments Lost based on average 1994 Tax Credits per apartment in each state.

Source: National Council of State Housing Agencies



Why the Low Income Housing Tax Credit Should Not be Sunset

What is the Low Income Housing Tax Credit? The Low Income Housing Tax Credit is a credit against federal tax for part of the investment an investor makes in construction or rehabilitation of apartments to be rented at discounts to tenants whose incomes are 60 percent of the area median or less.

Why do we need the Tax Credit? It's all we have and it's working. Virtually all low income apartment production depends on it. Since it was created in 1986, the Tax Credit has financed nearly 800,000 affordable apartments. But that's just barely enough to make up for the nearly 100,000 low income apartments lost from the national housing supply each year through demolition, abandonment, or conversion to higher income use.

Why a Tax Credit? The Tax Credit provides the financing which makes lower rents possible for qualified renters. The limits the Tax Credit imposes on the rent are too low to pay the mortgage otherwise. The Credit mechanism makes sure that state agencies and private investors, not federal bureaucrats, determine that quality housing is built where it is needed.

Who says the Tax Credit is corporate welfare? The first to say it was the Progressive Policy Institute, the "think tank" of the Democratic Leadership Council, which Bill Clinton chaired. The PPI accusation, reflecting the bias which some liberals hold against investors actually cutting their taxes by using the tax incentives Congress creates, gained prominence when President Clinton's Labor Secretary cited it in a speech last fall. Since then, the Tax Credit has been included in other lists of "corporate welfare," apparently on the strength of the PPI's undocumented assertions.

Well, is it corporate welfare? If the Tax Credit is corporate welfare, Rush Limbaugh is Eleanor Roosevelt. Although the 1986 Tax Act limits the amount of credits individual taxpayers can use, making corporate purchases predominant, individuals still are a significant factor in the Tax Credit market. Investing in lower income renter apartments does cut investors' tax bills. That's the incentive. But it does not subsidize corporations for expenditures they would be make anyway, as do other tax code provisions, such as those for business entertainment and depreciation. The Tax Credit is more like the charitable deduction, which encourages taxpayers to do good beyond their own interests by rewarding them with tax reduction for helping people in need.

Isn't the Tax Credit just a leftover from the Great Society? No, it's a program originated by a Republican Senate and signed by President Reagan. It is an unprecedented model for reducing the federal government's intrusion in American life and reinforcing individuals' responsibility for their own lives. If the Congress were to set out today to create a housing program which mobilized private and public resources, under state direction, with limited federal bureaucracy, to help finance privately owned, affordable rental apartments, it would create something very much like the Tax Credit.

Why object to a Tax Credit sunset? In the face of a balanced budget deadline just seven years away, the effect of repealing Tax Credit permanence is to repeal the Tax Credit itself. If the Tax Credit is sunset now, where will the revenue come from to resurrect it as 2002 draws nearer? Returning to the stop-start status to which the Tax Credit was subject before 1993 will also disrupt the program just when it is reaching peak efficiency. Tax Credit permanence has attracted investors who were unwilling to deal with the Credit when its existence remained uncertain. That increased demand now generates 28 percent more for every Tax Credit dollar.

How about the GAO study? Ways and Means Committee Chairman Archer has asked the GAO to study the program, but that review has just started and won't be finished until December, 1996. Sunsetting the program before the results of that study are known is arbitrary and unfair. It's like sentencing the accused to death and then having the trial!

What about criticisms of IRS monitoring? A June 1995 article in *Tax Notes*, based on comments by an anonymous bureaucrat, reported that the IRS has only recently developed a system for monitoring compliance. That's just plain wrong. The IRS has been conducting Tax Credit audits since 1987, based on the extensive submissions federal law requires from state regulators and Tax Credit developers, owners, and investors. Recently, the IRS strengthened its compliance efforts, training 65 field agents to conduct Tax Credit audits. Several hundred audits are now underway.

How long are Tax Credit apartments devoted to low income use? Federal law requires low income use for at least 15 years and gives preference in Tax Credit allocation to apartments which are dedicated longer. About a third of all Tax Credit apartments is permanently dedicated to low income use, and the Tax Credit law requires all others to be offered to nonprofits for permanent low income use before they can be sold to anyone else.

Do private Tax Credit developers, syndicators, investors, or owners profit unreasonably? No. The Tax Credit is as tightly regulated as any tax program. States are obligated by federal law to carefully evaluate the financial details of every proposed development, to make sure that none receives more Tax Credit than necessary for its financial feasibility and long-term viability as low income housing. That assures that private developer and syndicator

profits are reasonable. The states have developed highly-qualified staff, tight standards for evaluating Tax Credit applications, and compliance procedures to make sure apartments built with Tax Credits are well maintained and stay in low income use. Since Congress made the Tax Credit permanent, nearly every state receives many more Tax Credit proposals than it has credits to finance, helping the states drive even harder bargains. The states limit the amounts a Tax Credit developer can get for all overhead and any profit to about 15 percent in most cases. In 1994, the average syndicated Tax Credit investment yielded an internal rate of return of approximately 13 percent—below what many investors typically demand of real estate investments.

Do Tax Credit-financed apartments rent for market rents? The maximum rent in Tax Credit developments is 30 percent of 60 percent of median income. Tax Credit apartment rents are typically 15 to 25 percent below market rents. Many developers combine the Tax Credit with other subsidies to reduce tenants' rents further. In 1994, nearly 25 percent of all Tax Credit apartments were affordable to families earning less than 50 percent of area median income and many families earning less than 30 percent.

Isn't the Tax Credit too expensive? Real estate is not cheap. The Joint Committee on Taxation estimates that the Tax Credit cost \$2.2 billion in fiscal year 1995. That's less than 3 percent of all federal tax expenditures for housing. Nearly all the rest go to homeowners' deductions for mortgage interest and property taxes and the deferral and exclusion of capital gains taxes. The Tax Credit represents barely more than half of one percent of all tax expenditures, ranking 28th on the list. The Tax Credit economic benefits offset its cost. Tax Credit-financed development accounts for nearly 100,000 jobs annually, \$3.1 billion in wages, and \$1.5 billion in tax revenues.

Hasn't CBO labeled the Tax Credit inefficient? Compared to what? CBO's economists have suggested that traditional Washington-based housing programs might cost less per apartment than the private-sector based Tax Credit. But this year's Budget Resolution mandates cutting federal housing funds significantly by 2002. Even CBO admits that "budget constraints on discretionary spending might make it difficult to repeal the Credit in favor of an expanded voucher program funded by annual appropriations."

Aren't a lot of Tax Credit apartments opposed by the neighborhoods where they are built? Tax Credit developments have not been completely immune from the "Not in My Back Yard" syndrome. In well publicized cases in a few states, some neighbors have opposed a few of the nearly 800,000 Tax Credit apartments built nationwide. But the high quality of Tax Credit developments compared to traditional federally-sponsored housing has held that kind of criticism to a few places. In many more places, the new construction of needed apartments or rehabilitation of older apartments has been welcomed as a positive addition to the neighborhood.



The Low Income Housing Tax Credit is NOT "Corporate Welfare"

To treat the Low Income Housing Tax Credit (Tax Credit) as "corporate welfare" is inaccurate, unfair, and potentially devastating for the millions of Americans still living in substandard housing who will be deprived of a chance for a decent rental home if the Tax Credit is disrupted.

The Congressional Budget Office describes corporate welfare as "the transfer of money from the federal government to private business which accomplishes no other public purpose." (*Federal Financial Support of Business*, Congressional Budget Office, Washington, DC, July, 1995, p. 3).

The Tax Credit is the incentive—in fact the only incentive—which Congress makes available to individuals and corporations to invest in apartment construction and rehabilitation devoted to low income renters. Since it was created as part of the Tax Reform Act of 1986, the Tax Credit has generated \$12 billion in individual and corporate investment to finance 800,000 affordable housing units and 100,000 units more every year.

Investing through the Tax Credit in these low income renter apartments cuts the tax bills of those who invest in it—that's the incentive. But the Tax Credit does not subsidize corporate expenditures which would be made anyway, as do other tax code provisions, such as those for business entertainment and replacement of corporate equipment.

The Tax Credit was not particularly designed for corporate investors at all. Corporations had not been major low income housing investors and accounted for only about 20% of Tax Credit use until recent years. Individuals' investments accounted for about 80 to 100% of the Tax Credits until then. Corporate Tax Credit investment has increased because the passive loss limitations in the 1986 Tax Reform Act strictly limit individual taxpayer Tax Credit investments. Nonprofit syndicators, such as the Enterprise Foundation and Local Initiatives Support Corporation, originally pioneered increased corporate investment in nonprofit projects, as individual investment dried up.

Corporate investors in the Tax Credit do not make windfall profits. In 1994, the average Tax Credit investment yielded an internal rate of return of approximately 13 percent, far below what corporate investors typically demand of real estate investments. (Other benefits associated with real estate—pre-tax cash flow, equity build-up, and residual benefits—do not apply in significant measure to Tax Credit investment.)

The Tax Credit is one of the most closely regulated federal tax incentives. State agencies, acting under federal guidelines, must review, approve, and assure program limit compliance by any project seeking Tax Credits and limit the amount of the Tax Credit any investor receives to the amount necessary to provide for the project's long term viability. In fact, these state agencies reject many projects which apply for credits and frequently reduce the amounts sought by successful projects.



A Brief Legislative History of the Low Income Housing Tax Credit

1986: Creation: Congress creates the Low Income Housing Tax Credit (Credit) to replace previous Code incentives to produce lower income apartments, including accelerated depreciation, five-year amortization of rehabilitation expenditures, and deductions for construction period interest and taxes. "The Congress believed a more efficient mechanism for encouraging the production of low income rental housing could be provided through the low income housing tax credit." (General Explanation of the Tax Reform Act of 1986, pp. 152-153, 1987)

The tax incentives repealed defined "low income" as 80 percent of median income and required only a minimal set-aside of apartments to low income people. The Credit breaks new ground by defining "low income" as 60 percent of median income, directly linking Credit amounts to the number of low income apartments produced, and limiting maximum rents to a maximum of 30 percent of 60 percent of area median income.

The Credit also breaks precedent by vesting its administration in the states, bringing decisions closer to the local level and eliminating the need for a federal bureaucracy to manage it.

1989: Improvement: Congress provides the first of several periodic Credit extensions. Nearly 90 percent of the Senate cosponsors Tax Credit permanence, but budget pressures prevent it. Congress requires state administrators to develop a Credit allocation plan based on the state's housing needs; to underwrite proposed Credit proposals to limit amount of Credit to the minimum required for the apartments' financial feasibility and long-term viability; empowers state agencies to recapture Credits from apartments not meeting the program's requirements within the specified time; permits states to carry forward unused Credits for one year; and allows unused Credits to be redistributed to states which need them.

Congress enacts separate legislation to create a second review by HUD or the FmHA of any transaction containing both the Credits and a subsidy from either of those agencies, to assure that excess subsidy is not provided.

1990: Compliance Monitoring: Congress extends the Credit program again; requires states to take responsibility for monitoring all Credit apartments for program compliance and to notify the IRS of any non-compliance.

1993: Permanence: Congress makes the Credit permanent and allows full value of Credits to be used with HOME Investment Partnership (HOME) Program funds where at least 40 percent of the apartments rent to families with incomes of no more than 50 percent of median income.



What the States Have Done To Strengthen Tax Credit Administration

Congress has entrusted the states with the allocation, underwriting, and monitoring of the Low Income Housing Tax Credit (Credit). The state agencies responsible for the Credit, working through their national organization, the National Council of State Housing Agencies (NCSHA), have established national guidelines for Credit administration which go beyond what Congress has required to assure the program's efficiency and effectiveness.

In 1989, NCSHA staffed a task force charged by chief congressional Credit sponsors Mitchell (D-ME) and Danforth (R-MO) with improving the Credit program. The task force recommended tightening Tax Credit program requirements and strengthening Credit administration. Many of its recommendations were adopted by Congress in 1989.

In 1990, an NCSHA task force developed and suggested to Congress and the Treasury an even more comprehensive approach to monitoring program compliance than the Treasury subsequently adopted in its regulations.

In 1993, the NCSHA board of directors adopted "Standards for State Tax Credit Administration," a set of voluntary model standards recommended by an NCSHA task force to toughen credit development underwriting, processing, and monitoring in areas such as apartment costs and developer fees. The standards are now in use in many states.

In 1994, another NCSHA task force developed recommendations to strengthen administration in the use of the Credit with the Rural Housing and Community Development Service Section 515 rural rental housing production program.

Currently, a Task Force on State Tax Credit Administration is formulating a broad array of administrative improvements designed to minimize the possibility of fraud and abuse and to further improve efficiency in Tax Credit administration.

NCSHA convenes the state allocating agencies several times annually for training and exchange of ideas on Credit program administration and best practices.

The tremendous success of the Tax Credit program is a direct result of the state agencies which administer it fully accepting the significant responsibilities entrusted to them by the Congress and going well beyond what is required by law to make the program work even better.

HOUSING

Tax Credit Builds One Town's Houses Into a Community

By Audrey Chen

Staff Reporter of THE WALL STREET JOURNAL

The people who live in the destitute heart of Woonsocket, R.I., are renovating houses, attracting new residents and throwing block parties.

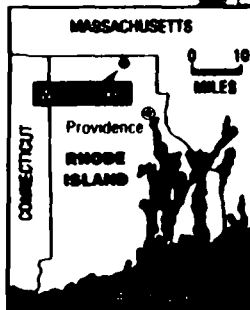
And without the Woonsocket Neighborhood Development Corp., they say, they couldn't do it.

Woonsocket Neighborhood, a nonprofit that reclaims abandoned houses, couldn't get corporate funding without a federal tax break, the credit for low-income housing. The tax credit has attracted \$12 billion in private equity investment in low-income housing projects throughout the U.S. since its 1987 enactment. It has made possible nearly all the 800,000 low-income housing units built or renovated since then. In New York's South Bronx, the credit fueled a \$225 million project that built 2,400 units of housing. In Cleveland, more than \$25 million has created 340 homes.

But now the program is on the chopping block. The budget passed by Congress calls for killing the credit at the end of 1997, unless Republican lawmakers and President Clinton reach a compromise to save it.

Terminating the program will save an estimated \$3.5 billion between now and 2002, House Republicans say. Calling it "corporate welfare," they say the program's decentralized structure makes it too difficult to oversee and too easy to abuse.

But advocates, including many Republican governors, say the program—created under President Reagan—represents the kind of private-public partnership conservatives should favor. "If the Republicans today were to set out to create a program that transfers powers to the states, gets away from subsidies, taps private investment



One of the abandoned houses to be rehabilitated (above) and a map (left) locating Woonsocket in Rhode Island

and provides long-term, low-income housing, this would be the program they would design," said John McEvoy, director of the National Council of State Housing Agencies.

And in Woonsocket, the project seems to be working. Woonsocket Neighborhood Development is renovating 13 abandoned houses to create 44 units of affordable housing in Constitution Hill, a historic area known in recent years as the city's drug-dealing center. "People here had just about lost all hope, and then this project started and has radiated optimism," says Roger Biron, a local policeman.

Without the tax credit, supporters say, it will be very difficult to get financing to build houses for the poor. The 100,000 new units built using the tax credit every year in the U.S. barely keep pace with the units lost to demoli-

tion, abandonment or conversion to higher-income use.

Nationally, the largest corporate investors in low-income housing include BankAmerica Corp., Federal Home Loan Mortgage Corp., Warren Buffett's Berkshire Hathaway Inc. and Federal National Mortgage Association, each of which has invested between \$100 million and \$200 million. The CVS drugstore chain based in Woonsocket, a unit of Melville Corp., is one of the main investors in Woonsocket.

While quasigovernmental organizations like Fannie Mae are required to fund some low-income housing, most corporations wouldn't do it without the credit. "Already, just the discussion [of ending the tax credit] has put several of our corporate pledges in jeopardy," says Denise Altay, the vice president of National Equity Fund, the largest nonprofit coordinator of the tax-credit investments.

In return for equity investments, companies get tax credits over 10 years and write-offs for passive real-estate losses for five more years. The total value of the credits is higher than the cash invested, offering investors rates of return of 12% to 15% over 15 years. After 15 years, corporations typically sell the housing to the communities for a nominal fee.

The tax credit supplies \$1.9 million to the \$4.5 million Woonsocket project—a key equity investment that gives the group collateral for loans and the credibility for other grants. The housing is earmarked for families earning 60% or less of median income; in Woonsocket, that means a family of four earning about \$25,000 is eligible. When the housing is finished next summer, rents for the apartments there will range in price from \$285 a month for a one-bedroom to \$530 a month for the largest four-bedroom.

The program has had some felicitous side effects, such as creating 75 new jobs. One resident, Donald Price, says it turned his life around. Four months ago, he was homeless, unemployed and losing hope. Today he has a job as a construction worker, a two-bedroom apartment and a baby due in May.

Once the 200 new residents move in, community leaders expect increased commercial activity for area shops

and vendors. "It's a small area to start with, but it raises enthusiasm all over, and if the funding continues, we'd like to implement the program elsewhere," says Woonsocket Mayor Francis Lanctot.

One new business has already started. When ironworker Alfonso Nealy heard about the construction plans in his neighborhood, he decided to found his own painting company and bid for the work. He now has a business partner, six full-time employees and numerous other contracts around town.

The redevelopment has sparked other renovations as well. For more than three years, Russell Berard watched the abandoned house across the street from his own deteriorate, as people stripped it of its electrical and plumbing materials. But this summer, encouraged by the rehabilitation of other properties, he bought the house and is fixing it up. Glen and Cindy Tellier, who grew up in the neighborhood but had moved away, decided last summer to return to the run-down house they own there, repair it and live in it.

By restoring the graceful porches and gables of the turn-of-the-century houses and adding amenities like gardens, the development is building community better than old-style projects did, social workers say. "If you just have a housing project built by the government, people won't have a sense of ownership and won't care about maintaining it," says Connie Gallant, director of a community development group in Woonsocket.

In Constitution Hill, residents take part in planning and tenant selection. Tenants are responsible for the maintenance and management of the properties. Stanley Eason, an AmeriCorps volunteer who works for Woonsocket Neighborhood, recently persuaded residents to pitch in for an effort to clear the neighborhood's streets of weeds and debris. He also organized a block party with barbecues and karaoke singing in the streets in front of the abandoned houses.

"It was the social event of the year," says Mary Longtin, 66, a longtime resident. "It was like old times again, with people not afraid to come out of their houses and socialize with neighbors."

Simple Math

Even with a federal subsidy, rental housing can cost more than a poor family can afford. And now Congress is ready to toss out the most important indirect federal subsidy—the low-income housing tax credit.

BY ROCHELLE L. STANFIELD

Strip away the politics and posturing, put aside the mind-numbing economic theories and abstruse accounting practices, dispense with the bureaucratic arcana, and the rental housing game comes down to simple arithmetic.

Rent has to cover the landlord's costs, even if the landlord is a nonprofit agency. And if the owner is in the real estate business to make money, as most are, the rent also has to provide some profit. But here's the problem: If the renters are poor, the numbers just don't add up. They never have. Don't now. Probably never will.

A modest two-bedroom apartment, on a national average, rents for about \$500 a month. At \$4.25 an hour for a 40-hour workweek, a minimum-wage worker makes only \$737 a month. So rent consumes 68 per cent of the worker's income (more than double the 30 per cent that the law considers "reasonable") and leaves a bare \$237 a month for food, clothes, transportation, health and day care.

That may not compute, but figures such as these are the stark reality for four million-five million poor households. About 70 per cent of households with extremely low incomes (no more than a fourth of the local median income) spend more than half of their income on rent, according to calculations of government statistics by Harvard University's Joint Center for Housing Studies.

"The private sector cannot build housing that is affordable to a lot of people without some sort of government subsidy," said Lawrence B. Simons, a Washington real estate lawyer who had developed rental housing in New York City and was the Housing and Urban Development (HUD) Department's housing chief in the Carter Administration. "That's just one of the givens."

But government housing subsidies for the poor—which assist less than a fifth of those who are eligible—are expensive. As simple arithmetic dictates, the poorer the assisted households, the costlier the subsidies must be. For the past dozen years,



Less than a fifth of those who are eligible get housing subsidies for the poor.

John F. Packer

federal housing programs have focused on the poorest of the poor, and costs have risen exponentially.

F. Barton Harvey III, the president of the Enterprise Foundation, a private non-profit housing and community development agency in Columbia, Md., called it "the box the HUD budget is in: In essence, if they didn't serve another person, their budget would continue to go up dramatically. They are on a collision course, and the future is very much up for grabs."

Like most domestic spending programs, HUD's direct subsidy programs to operate public housing and support rental assistance are under the budget ax for fiscal 1996—only more so. Wrangling continues on the 1996 appropriations bills, but HUD programs are expected to take very heavy hits.

Indirect housing subsidies for the poor are also in trouble—unlike those for the affluent, such as the mortgage interest income tax deduction, which remain extremely popular on Capitol Hill.

The most important indirect housing subsidy for the poor is the low-income housing tax credit, which has succumbed to a concerted assault led by House Ways and Means Committee chairman Bill Archer, R-Texas. It may be revived in further negotiations, but its long-term future is uncertain. The credit, which a Republican Administration established in 1986 as an antibureaucratic, private-sector alternative to government spending programs, encourages profitable corporations to invest in low-income housing by giving them a credit against their federal income taxes. These investments help finance the construction or rehabilitation of about 100,000 rental units a year.

The low-income housing tax credit has some drawbacks, including its complexity. But a disparate conglomeration of state and local governments and real estate, financial and non-profit organizations have rallied to the credit's defense because, for all practical purposes, it is the only federal subsidy that supports the production of additional rental units for the poor. HUD's direct-spending programs maintain apartments that are already in the market, and budget reductions will shrink that inventory.

Archer figured that the credit would cost the government \$3.5 billion in lost revenue by 2002 and persuaded the House to vote to eliminate it after 1997 as part of the massive budget deficit reducing reconciliation package. The Senate version would have kept the credit, but that version was rejected in the House-Senate conference.

With the future of government housing subsidies so uncertain, some housing experts are exploring the other side of the rental equation—cost cutting. Many maintain that government regulations—the federal Davis-Bacon rules on paying local prevailing wages, land use restric-

\$280 a month, ostensibly by eschewing such niceties as closet doors and sprinkler systems (required by the fire code for new rental units). But City Homes president Barry I. Mankowitz said that he still can't make ends meet without a government subsidy.

Theorists agree that this is a problem. "I've long been an advocate of reducing the standards and allowing for smaller-sized apartments," said Anthony Downs, a senior fellow in economic studies at the Brookings Institution who has studied and written about housing finance for decades. But even the tiny units that people occupy in Hong Kong or Singapore "are beyond the reach of many people in this country with very low income." Cost cutting "may help, but it would not eliminate the problem by any means."

"Yes, you could probably produce housing cheaper, but somehow all the king's horses and all the king's men have failed to do so in any terms that dispense with the need for subsidy," John T. McEvoy, executive director of the Washington-based National Council of State Housing Agencies, agreed.

Meanwhile, many advocates for the poor dismiss the whole cost trimming exercise as cruel and counterproductive.

"To build cheap is a disservice and is more expensive in the long run," said Robert J. Adams, executive director of the National Low Income Housing Coalition in Washington. "It never makes sense to really scrimp on your building costs because these buildings get wear and tear and you get eaten alive with maintenance costs and end up in trouble." As a former director of the Virginia Housing and Community Development Department, Adams said, he was speaking from experience.

"If you're talking about inner-city neighborhoods," he went on, "you really have to go in and create housing that is in fact decent housing that's going to last for a while, that's going to be an asset within that community and that's going to create a decent home for that family and give them some sense of pride and self-worth."

Which returns to the original question: How do you pay for it?

HIGHER MATH

These days the low-income housing tax credit pays for part of just about every



Enterprise Foundation president F. Barton Harvey III
"The future [of subsidies] is very much up for grabs."

tions, local building and fire codes, among others—have unnecessarily increased the cost of housing construction. So they want to lower those standards and relax the codes to bring the unsubsidized cost of an apartment down within reach of a poor family's budget. Those who have tried it, however, conclude that at best, it is only a partial solution.

City Homes Inc., a nonprofit developer in Baltimore, for example, has been able to fix up and rent aging row houses for

John Fische

housing unit that is built or rehabilitated for rental to the poor. But simple arithmetic has nothing to do with it; dealing with the tax credit is an exercise in political, economic and legal higher mathematics.

Because the credit is the only housing production game in town, despite its complexity and other drawbacks, an amazingly diverse army of supporters arose in its defense during its recent fight for survival.

Scrappers such as the AIDS Action Council, the Center for Community

gress, because it appears to be the quintessence of minimalist government conservatism.

"If the Congress were to set out today to create a housing program which mobilized private and public resources, under state direction, with limited federal bureaucracy, to help finance privately owned, affordable rental apartments, it would create something very much like the tax credit," said a fact sheet published by the National Council of State Housing Agencies.

Stripped to essentials, the tax credit

of local median income and whose rent payments are no greater than 30 per cent of their incomes. The corporation loses the credit in any year that these rules are violated; investors and syndicators, therefore, tend to monitor the projects closely.

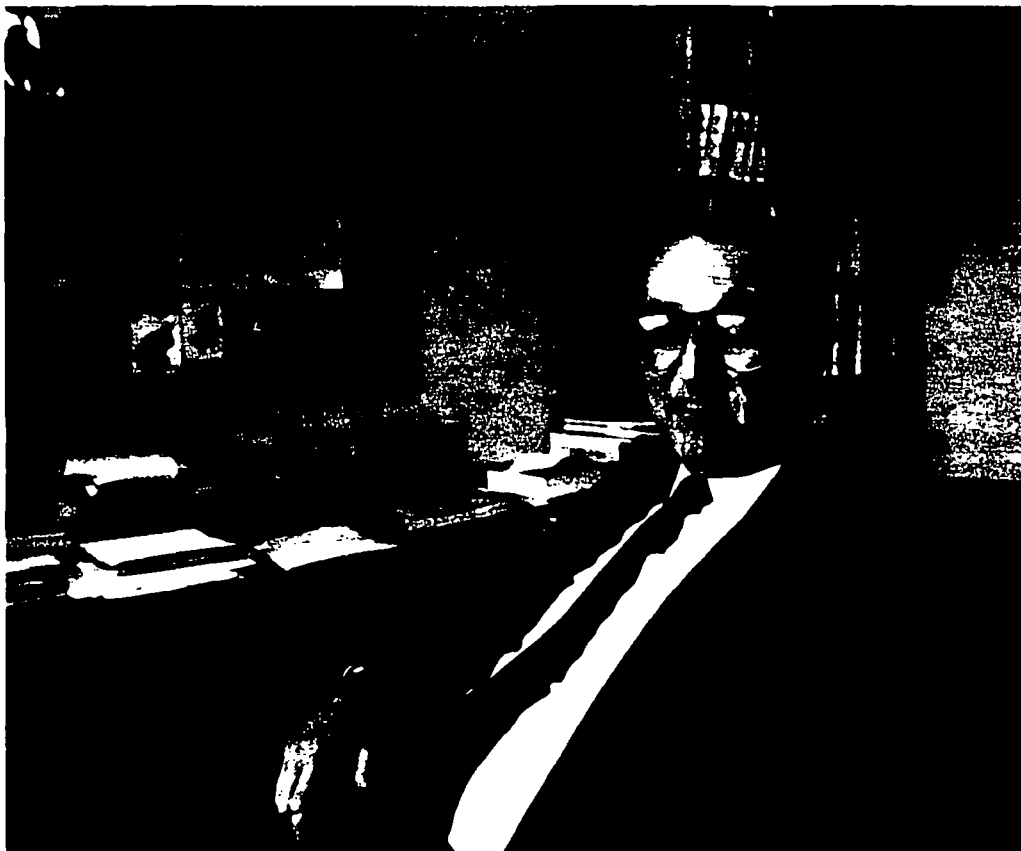
"It's a pay-for-performance program, and it's the private sector that doesn't get paid if they don't perform. That introduces a whole business discipline that has been missing from previous generations of housing production programs," Benson F. Roberts, vice president for policy in the Washington office of the Local Initiatives Support Corp. (LISC), said. "You would think that anybody who was genuinely interested in engaging the private sector in addressing important social and economic problems in this country would be in favor of [keeping] the tax credit."

LISC and the Enterprise Foundation are the private, nonprofit parents of the two major syndicators of the housing tax credits. Although the tax credit applies to the federal income tax, the program is run by the states. State housing finance agencies decide which projects should benefit from the tax credit and keep track of the projects and their tenants once the housing is built. Only a handful of Internal Revenue Service employees oversee the credit.

To many, the beauty of the program lies in the absence of a federal bureaucracy. But surprisingly, this does not appeal to Archer. One of his complaints is that the lack of federal oversight leaves the program wide open to fraud and abuse. He has ordered the General Accounting Office (GAO) to scour tax credit projects for possible fraud and report on them by the end of next year.

Supporters of the tax credit see the GAO investigation as a ploy to destroy investor confidence in the credit and as a potential weapon to use against the program in the next few years, when deficit reduction pressures and the campaign for a flat-rate income tax are likely to pose additional threats.

"GAO is directed to look for abuses,



Richard A. Blum

Anthony Downs, the Brookings Institution's resident expert in housing finance
Building cheaper housing units "may help, but it would not eliminate the problem by any means."

Change and the National Neighborhood Coalition joined with such staid trade groups as the Mortgage Bankers Association of America, the National Association of Home Builders and the National Association of Realtors to implore Congress to "spare" the credit. Such conservative Republican governors as Michigan's John M. Engler and Wisconsin's Tommy G. Thompson extolled the credit's virtues, using many of the same words as Democratic Mayor Richard M. Daley of Chicago.

Given the importance of the credit to the real estate market, that was probably to be expected. What was surprising is that the credit would come under assault in the first place in a Republican Con-

gress reduces landlords' mortgage costs; the landlords pass the savings on to their tenants in the form of lower rents.

A corporation that invests, say, \$1 million for 10 years in low-income rental housing development may take an annual credit of \$100,000 against the income tax it owes. That \$1 million (or what's left of it after it is packaged and sold at a discounted rate by syndicators) provides some of the equity in apartment construction or rehabilitation deals, thus reducing the amount the developer must borrow from a bank.

The corporation can take the credit only if the money is invested in housing that is then occupied by households whose incomes don't exceed 60 per cent

and they will find some—as they would in any program,” the Enterprise Foundation’s Harvey said. “That’s fair,” he continued. “And if it’s a fair report, it will also show the positive results of the program.”

“But we’re going to find ourselves on the defensive once again,” Adams of the Low Income Housing Coalition predicted.

That’s a familiar spot for the program’s supporters: The tax credit has lurched from the edge of one political cliff to another since its inception in 1986. Originally given a three-year trial, it had to run the congressional gantlet annually until 1993, when Congress made it permanent.

As many see it, Archer’s anti-credit campaign stems from that 1993 renewal. The same measure that made the housing tax credit permanent left temporary a tax credit for corporate research and development, which Archer preferred. Although he denies it, Archer is said to have launched his war against the housing credit to pay back the Democrats who favored housing over R&D and to secure a hostage for his R&D credit in future budget battles.

“This is not about substance,” a lobbyist said. “It’s all about power and politics.”

Ironically, treating the housing tax credit as a political football has given it an instability that is likely to depress its value.

Since the program was made permanent two years ago, its efficiency has increased by 28 per cent, LISC’s Roberts said. “Permanency brought so many more participants into the process,” he explained. “So you had a lot more people chasing the same credit.” Each state has a limit on the amount of rental housing credit that it can allocate. “With more investors interested,” he continued, “you could drive a harder bargain. And because more developers got in the game, they had to pay more attention to state housing priorities to win a credit.” The attack on the credit, Roberts and others worry, will reverse that dynamic.

As any belle of the ball will admit, popularity has its downside. For the housing

tax credits, having to be all things to all developers has multiplied the program’s already excruciating complexity and driven up the cost of the deals.

The tax credit was intended to help households of moderate means, not the really poor. The target family’s income is 60 per cent of median. The national median income was \$32,264 in 1994, which put the target household income at \$19,358 and the affordable rent at \$483 a month. Not fat city by any means, but not desperate either. Indeed, about two-thirds of the new apartments assisted

“The work involved in accessing the subsidies can add \$5,000-\$8,000 a unit,” explained Peter Werwath, a senior program director for the Enterprise Foundation. “Some subsidies end up being a wash.”

Mankowitz of City Homes in Baltimore, who expects to use the tax credit in a new project he’s planning, figures that it will increase the cost of it by \$10,000 a house.

“We’ve taken programs which were not designed to service only the very poor and forced them to service only the very



Benson F. Roberts, a vice president of the Local Initiatives Support Corp.
The tax credit “introduces a whole business discipline that has been missing.”

through the tax credit are snapped up by just this sort of household.

That leaves the truly needy out in the cold. So some developers—particularly nonprofit community development corporations and other neighborhood-based groups—worked out deals to add subsidies that would bring the rents down. As a result, about a fourth of the units are rented to households with incomes of 30-50 per cent of the median, and 5 per cent are rented to households with less than 30 per cent of the median.

This layering of subsidies further complicates an already mind-numbing procedure. The process slows down. Fees for lawyers and consultants go up. Investors get skittish. All of this adds costs.

poor—and it’s killing us,” real estate lawyer Simons said. “That same pressure is now going on with the tax credit because it’s the only thing out there. But we’ve gotten to where we are because we’ve done this, and we’re in a lot of trouble now.”

Maybe the housing tax credit comes down to simple arithmetic after all.

ADDITION BY SUBTRACTION

If you can’t add to the subsidy side of the low-income rental equation, try to subtract costs from the construction side.

“The budget cutters are going to force us to give up this hypocrisy that everybody has the right to a unit as good as

John Fiske

new," said William C. Apgar Jr., the executive director of Harvard's Joint Center for Housing Studies.

That's what Mankowitz has been doing for nearly a decade at City Homes, an Enterprise Foundation demonstration project. The bottom line: He rents 243 modest homes at an average rate of \$280 a month. That's very cheap—affordable by a household with an annual income of only \$11,200. But they're not pretty, as Mankowitz is the first to admit. The floors are uncarpeted and the walls are not smooth. There's no air conditioning, and much of the ductwork is exposed.

"We're giving you a 1985 Ford, not a '95 Ford," he said. "But it still runs, and it is maintained well. What we've done is provide clean, decent affordable houses, but they're not for everybody."

In the search for places to cut, the favorite first targets are government regulations: HUD housing standards, Davis-Bacon prevailing wage rules, federal and state environmental restrictions and local building, fire and land use codes.

"The system has become inefficient because of regulatory excess," Apgar said. "We have a set of standards which are either so high that they are ignored or so unenforceable that their true effect of deterrence is minimal."

But the cost-raising effects of regulations may be more in the perception and politics of the beholder than in the lawbooks of federal, state and local governments. For all of HUD's dark reputation as the grandmother of bureaucratic inefficiency, for example, its regulations in this area are modest. "HUD's been in the forefront in liberalizing building standards," Werwath said. "They're not the problem."

An even bigger hobgoblin is Davis-Bacon, the federal law requiring that all but the smallest federally subsidized projects pay local "prevailing wages." Conventional wisdom in the housing game equates prevailing wages with union wages (they're not; officially, they are determined by a survey of what local construction workers make) and assumes that Davis-Bacon drives up construction costs.

"Davis-Bacon is a very expensive regulation, forcing up the cost of assisted housing," said Robert C. Rosenberg, chairman of Grenadier Realty Corp. in New York City, who manages about

30,000 units of low-income housing. "Davis-Bacon was probably a bad mistake."

Davis-Bacon is a touchy issue for many housing activists who rely on labor support for their lobbying efforts. "The one thing this Congress could do that I would greatly appreciate is to eliminate Davis-Bacon," a lobbyist for a nonprofit organization said. "But if you quote me saying that, I'm dead."

Others see Davis-Bacon as a convenient excuse to damn the unions. "Davis-

cutting models for fixing up older buildings. "All of them have some value, but taken together they've gotten way too costly and way too complicated for development of rehab in a timely and predictable fashion."

Others say that the principal problem is the insensitive administration of the code rather than the letter of the law. In Baltimore, for example, code administrator routinely hold rehabilitation jobs to the same standards as new construction. But Mankowitz worked out an arrangement in which the buildings he fixed up would have to meet the safety criteria for existing structures which were substantially lower. "It sounds logical, but they had never allowed anyone to do that before," he said.

Building code experts acknowledge that this problem exists in older cities. A typical code would require two stairwells for fire safety. A 50-year-old apartment building probably has just one. It would be very expensive for the developer to install a second staircase when alternatives exist to make the building just as safe in case of a fire, said David Listokin, a professor at the Center for Urban Policy Research at Rutgers University. He is working on a rehabilitation building code for New Jersey municipalities.

That's part of a long-term effort by New Jersey state government to standardize and rationalize municipal codes and plans. "There are 600 municipalities in the state, and six years ago, every one had a separate subdivision and site plan ordinance," Listokin said. "Within a year or two, there will only be one."

But add up all the savings from deregulation, say those who try to do so, and you are still dealing with the margins of affordability.

"You can do some meaningful things in the area of building codes, but it will not reduce the cost of housing to a range most poor people can afford," said McEvoy of the Council of State Housing Agencies. In fact, it would probably be a bigger boon to the wealthy. "The dollar drop in the cost of housing will rise as the cost of the housing rises. The bigger the house, the greater the savings," he said. Cost cutting efforts and simplified codes "are not going to replace the need for subsidy for lower-income people."

You just can't get away from simple arithmetic. ■



Richard A. Blum

National Council of State Housing Agencies' John T. McEvoy
Cost cutting efforts won't "replace the need for subsidy."

Bacon gets a bad rap because builders don't like to use union labor," said another lobbyist who also refused to be identified. "It makes a difference in cost, but it's marginal."

Mankowitz said he avoids the Davis-Bacon rules by fixing up houses one at a time and thus keeping his projects under the Davis-Bacon minimum.

At the local level, the regulatory specters are municipal building and fire codes. "A lot of single-purpose interest groups have gotten ever-increasing regulations related to lead-based paint, fire protection, historic preservation and the like," said William W. Duncan, director of the Enterprise Foundation's Rehabilitation Work Group, which develops cost