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The Providence Phoenix

11/24/95

HOUSING CUTS: REFORM OR REVENGE?

Affordable housing advocates are gearing up for a battle over the GOP budget bill's proposed elimination of tax credits for low-income housing. Like local defenders of a number of other government programs on the chopping block, housing agencies are looking to Republican Senator John Chafee to fight for the program's survival. But it is unclear how far out on a limb Chafee will go for the program in the final round of negotiations.

"Can I say [the tax credits] will be more important than the environment? I don't know," says Robert Coupe, Chafee's deputy press secretary.

President Bill Clinton has promised to veto the budget bill, which takes a massive swipe at Medicare and Medicaid. But while RIHMFC (Rhode Island Housing and Mortgage Finance Corporation) is lobbying Clinton to cite tax credits as one of his non-negotiable priorities in his veto message, Coupe says Chafee "wouldn't presume to tell the president what his priorities should be."

GLENN TURNER

CHAFEE: pressed from all sides.

Without the tax-credit program, virtually all low-income housing in the state would slow to a halt. According to RIHMFC, the credits finance the construction of 240 apartments, create 260 jobs, and generate $5 million in real estate, sales, and payroll taxes during an average year in Rhode Island.

RIHMFC distributes $1.2 million in tax credits to developers of low-income housing every year. The developers then sell the credits to big corporations, thus raising funds for housing projects.

Under the proposed budget bill, these credits would "sunset," or expire, in 1997. Congress would have the option of renewing them, but RIHMFC spokesman Chris Barnett says that would be unlikely. "Sunset will kill this program because in 1997, Congress will be looking for even more cuts in the budget," he says. "You make the easy cuts first, like Medicare."

RIHMFC and its counterparts in other states approached Chafee in January to "take ownership" of the housing program, says Barnett, though he acknowledges that "Senator Chafee never would have volunteered for this. It was never on his radar screen."

Ironically, the housing program was created by Republicans in 1986, according to Barnett. And it benefits their constituency as well – wealthy corporations looking for a tax break.

Given the origins of the tax credits, Barnett figures Representative Bill Archer (R-Texas), chairman of the House Ways and Means Committee, has only one motive for leading the fight to eliminate the program – revenge.

"In 1992 Archer lost a tax credit for natural gas exploration, which, of course, hurt his constituency in Texas," says Barnett. "So when he became chairman of the Ways & Means Committee, he came up with something that would really get under Democrats' skin – housing credits."

Archer aide Tom Hoopes denies this is the case, saying the real motivation is abuse of the housing credits by developers, who benefit from the program more than the poor. What Archer wants, Hoopes says, is greater scrutiny of the program overall. And the threat that it will not be renewed in 1997, he adds, "hopefully will have a chilling effect on fraud and abuse."

— Jody Ericson

The News Journal, Wilmington, Del. Tuesday, Nov. 28, 1995 ··· Section B

Kent&Sussex & BUSINESS

Carper blasts 'dumb' GOP budget plan

By JAMES MERRIWEATHER
Dover Bureau reporter

Gov. Carper is sure the Republicans' federal budget plan won't make it past the president's veto pen, but he took time Monday to give it a good tongue-lashing.

The governor told a news conference in Wilmington that enactment of the plan's call for major slow-downs in spending for health and child care would all but kill his welfare reform plan.

"There's a smart way to do it and a dumb way to do it," Carper said of Republicans' pledge to erase the budget deficit over seven years. "The path that some of our friends in Congress would take is the wrong path for our nation."

Before recessing for Thanksgiving, congressional Republicans pushed through a GOP compromise version of a seven-year, budget-balancing plan — including a call for $245 billion in tax cuts.

President Clinton, while agreeing to negotiate toward a new spending plan, has vowed to veto the GOP package as a needlessly drastic attack on essential health and education programs.

"They want to provide a tax cut for wealthy people ...," Carper said of congressional Republicans. "They're not slowing the growth of these programs just to reduce the deficit."

Carper credited Sen. William V. Roth Jr., R-Del. and chairman of the Senate Finance Committee, with efforts to mitigate the impact of budget cuts on Delaware — including an effort to fatten the state's proposed Medicaid take.

Roth, though, is a champion of a tax-cutting plan that Carper described as "morally wrong" for proposing breaks for the wealthy while posing tax increases for the working poor through cutbacks in the Earned Income Tax Credit.

Here's the administration's assessment of how Delaware would be affected by the budget bill:

■ Medicaid. The state would lose about $107 million over a six-year period beginning July 1.

"There's a smart way to do it . . . "

Gov. Carper

Carper estimated that 300 Delawareans would lose health coverage in the first year, but that 23,000 — including 16,000 children and 3,900 disabled people — would suffer that fate by 2002.

■ Welfare. Over this fiscal year and the next four, the state would lose $70 million in federal money for cash assistance, employment programs and child care. About 2,300 families would be affected by reduced cash assistance and funding for 2,800 child-care slots — about $30 million — would be lost.

■ Social Services Block Grant. Delaware would lose $9 million over a four-year period that begins July 1. Much of this money is used to finance child care for poor families, and the estimate is that 200 child-care slots would be lost over four years.

■ Earned Income Tax Credit. A two-parent family in Delaware with three children and an income of $21,000 would face a tax increase of $2,000 over seven years under proposed reductions. Citing estimates from the Center on Budget and Policy Priorities, the administration says the cuts would more than offset the benefits of a $500-per-child tax credit offered by the Republican plan.

■ Low Income Housing Tax Credit. The Republican plan calls for eliminating this credit in fiscal 1997, which would cost the state as many as 1,500 affordable apartments for poor Delawareans by 2002. Since 1987, the tax credit has spurred investors to spend more than $69 million in Delaware for 2,400 apartments for poor working families.

A taste of New Year's

Wilmington [redacted]

Dover sets vote on negotiating

(Tax Credit)

Pawtucket Times
11/22/95

Top state Democrats say local federal cuts jeopardize local low-income housing program

Central Falls

CENTRAL FALLS — Top state elected Democratic officials are calling on President Clinton to save a threatened federal program that finances nearly all the low-income apartments built in Rhode Island, including two projects in Central Falls.

The Low Income Housing Tax Credit Program would be eliminated under the budget reconciliation bill Congress is expected to send to Clinton later this week.

According to a news release from the R.I. Housing and Mortgage Finance Corp. (RIHMFC), which administers such funds locally, Sen. Claiborne Pell, Reps. Patrick Kennedy and Jack Reed and Lt. Gov. Robert Weygand, all Democrats, have asked Clinton to cite the elimination of the housing program as one of the reasons for his expected veto.

"We want to put housing in the same league as Medicare, education and the environment," said Richard H. Godfrey Jr., RIHMFC executive director.

In an average year the program finances the construction of 240 apartments, creating 260 jobs that generate $5 million in sales, payroll and real estate taxes in Rhode Island, Godfrey said.

Tax credit projects in Central Falls include Cogswell Homes, being done by the private, nonprofit affordable housing group REACH, and Centennial Houses, a joint effort of the city's CURE housing program with the private, nonprofit Women's Development Corp., both funded with major help from RIHMFC.

The two projects involve the rehab of 20 abandoned and foreclosed properties in Central Falls.

"Without this credit," said Kennedy, "there would be almost no low-income housing construction in Rhode Island and the nation. The tax credit is an incentive necessary for private investment in low income housing," he said.

Said Reed, "Tax credits have financed the construction of more than 2,400 apartments in Rhode Island and nearly 800,000 nationwide."

Weygand called the potential elimination of tax credits "another threat to elderly Rhode Islanders. More than 40 percent of the apartments are occupied by low-income senior citizens. Where will they go if this program dies?"

Godfrey said the Democratic effort to save the program picks up where that of Republican Sen. John Chafee left off. He said Chafee was able to preserve tax credits in the Senate's version of the budget reconciliation bill, only to see House Republicans prevail when leaders of the two chambers met to work out the differences between their versions.

RIHMFC is a self-supporting corporation which receives no state tax dollars. Since 1973, RIHMFC has financed 47,000 homes and 13,000 apartments.

NAPLES DAILY NEWS
Date
NOV 19 95

Tax credit progam may face elimination

TALLAHASSEE — In a move that could diminish the opportunity for low-income housing for thousands of American families, Congress is considering the dismantling of the Low Income Housing Tax Credit program, a program that its proponents say has produced more than 40,000 affordable rental housing properties for Florida low-to-moderate income residents.

The LIHTC program, which allows private developers of rental units to gain tax credits to build housing for low income earners, has generated $11 worth of affordable housing for every dollar in tax credits that it spends, according to its officials. To date, they say the nine-year-old program has produced $12 billion in individual and corporate investments to finance 900,000 affordable housing units nationwide.

The House Ways and Means Committee is seeking legislation that would terminate the housing credit program after December 31, 1997.

Repeal of the program would eliminate the only remaining federal program generating massive numbers of affordable housing for low-and very low-income earners.

"At a time when Florida housing stock is woefully inadequate, abolishing this program would have a catastrophic effect on Florida's economy...." said Susan Leigh, executive director of the Florida Housing Finance Agency.

The LIHTC, which was enacted as part of the Tax Reform Act of 1986, has been an effective way for government to induce the private sector to invest in servicing the housing needs of lower income renters while creating thousands of jobs, said Leigh.

While critics in Congress assert that the LIHTC program represents "corporate welfare," the LIHTC program in fact, is one of the most closely regulated federal tax incentives, she said. State agencies, acting under federal guidelines, must review, approve, and assure program compliance by any project seeking tax credits, Leigh said.

The LIHTC program has served more than 63,000 Floridians in need of affordable housing. Nearly 40,000 units have been built in Florida, but studies by the Housing Finance Agency show 85,000 additional units will be needed in the state over the next five years.

Housing assistance on chopping block

DSN 11/19/95 (1)

By Meg Schneider
Staff writer

DOVER – Alice P Wiggins has been waiting for a year to get into public housing. Last week, she was told an apartment at Liberty Court was available, but because of a court proceeding involving the last tenant, she won't be able to move in for at least five days.

If she does get the apartment – and housing officials say she definitely will – she may be one of the last new tenants to qualify before the feds cut off public housing assistance.

As part of their quest for a balanced budget by 2002, congressional Republicans have proposed slashing virtually every federal housing program for low- and very low-income families, and Delaware housing officials say those cuts will be "devastating" if they go through.

"I'm deeply concerned about what's going to happen at the federal level. Far fewer eligible families will be able to be helped, and we may not be able to continue helping those we have now," said Susan A. Frank, director of the Delaware State Housing Authority, which serves Kent and Sussex counties. "I'm afraid more of those families will become homeless or will be forced to pay an outrageous percentage of their income in rent."

The housing authority expects to lose $3.2 million in federal funds in the first year of the balanced budget plan, with deeper cuts expected in later years, Ms Frank said, adding that her agency represents only a fraction of the total housing picture in the state.

About $100 million a year flows from Washington into Delaware through various public and private housing providers, and the overall cuts in those federal funds are expected at between 10 and 25 percent – "far greater than those realized just

See Housing – Page 2

Family moves just in time

By Meg Schneider
Staff writer

DOVER – If the Balanced Budget Act of 1995 – the massive bill that seeks to control the growth of federal spending – becomes law, people on public housing waiting lists may have to wait even longer for a place to live.

Alice P. Wiggins of Dover seems to have gotten in just under the wire. After waiting about a year for an apartment she can afford, she's hoping to move into Liberty Court, near Bicentennial

See Family – Page 2

Continued from Page 1

by the Delaware State Housing Authority," she said. "And we anticipate that those cuts will be devastating."

The federal blueprint calls for the following changes in housing programs:

• **No new money for public housing.** That means no money to build more public housing units, an estimated 10 percent cut in rehabilitation money for older units, and cuts of between four and 14 percent in operating funds for public housing projects.

Those cuts will hit very-low-income families the hardest, Ms. Frank said, because public housing rents are figured on 30 percent of a tenant's income rather than set at a flat rate.

For every family in public housing, the Delaware State Housing Authority has two families on a waiting list; the average wait for an apartment is at least one year, and more often two or three years, she said.

The cuts in operating and rehabilitating public housing also will hurt, she said.

"If the rehab money and the operating money is cut, what will happen to the existing sites and the existing residents? What happens if, each year, those numbers are reduced? How do we maintain existing sites?" she said.

• **Sunsetting the low income tax credit.** The low income tax credit is used to encourage private developers to build rental housing for working families. Developers can use the credit against their income taxes over 10 years, but more commonly they sell the credits to investors for about 55 cents on the dollar, then use that cash to help pay for the construction. That allows them to lower the rents to below-market prices, while still making a profit.

Because of the way it works, the $900,000 in credits Delaware is allowed to give to developers every year is worth about $5 million in construction money, Ms. Frank said. Since the program began in 1987, more than 2,400 units have been built, and "no other program has generated that kind of affordable housing," she said.

The GOP plan calls for ending the credit after fiscal 1997; developers and housing officials say that would dry up the pool of developers willing to build affordable housing.

"This is a declaration of war on low-income people with regard to their housing," said Leon N. Weiner, chairman of the board of Leon Weiner and Associates, a Wilmington-based housing construction and development firm that has been involved in about a dozen low-income tax credit projects in the region.

it, Mr. Weiner replied, "No way. No way."

"This is basically a program that should be endorsed and loved by the Republicans," he said, because local governments decide who gets the credits, it combines public and private-sector financing, and the IRS has an effective, efficient means of ensuring compliance.

"Isn't that enough to make Republicans die in peace?" Mr. Weiner said.

Senate Finance Committee chairman William V. Roth, R-Del., said the two-year sunset on the credit – instead of immediate elimination – will give lawmakers "sufficient time to determine if this program is the most cost-effective use of taxpayer money in order to meet the housing needs of low-income Americans."

• **No new money for Section 8 housing.** Under Section 8, low-income families pay 30 percent of their income in rent in non-public housing and use vouchers to make up the rest of the market price.

Kent and Sussex counties haven't received any new Section 8 funds in the last several years, Ms. Frank said, but New Castle County adds about 100 families a year to its Section 8 program. Those families would be turned

The proposal also calls for a 21 percent cut in Section 8 administration fees. That means about $90,000 less to inspect housing and determine applicants' eligibility, she said.

Ms. Frank said federal housing

be considered before cuts are made.

"Unfortunately, that's not the way things are happening, and it's very sad to me that because of a few problems the whole nation will have to suffer," she said.

Staff photo/Kevin Heslin

Alice Wiggins will be moving into an apartment just before the federal government is scheduled to cut its housing assistance funds. Her son Robert, at right, hopes to study in Japan, but wanted to make sure his mother had a place to live before he leaves the country.

Family

Continued from Page 1

Village, this week.

It's been a rough wait. She and her 18-year-old son, Robert, have moved at least half a dozen times since coming to Dover in September 1994. They started out at Mapleton Square, where the $505-a-month rent – plus a $60-a-month utility bill – ate up most of Ms Wiggins' disability check.

"We went to Social Services, and we got food stamps, but that was all we qualified for," Ms Wiggins said. "Catholic Charities paid a month's rent for us in April, but I haven't been able to pay them back yet, which I promised I would do."

At Liberty Court, Ms. Wiggins will pay 30 percent of her income in rent for a two-bedroom apartment. The rest of the rent will be subsidized by the federal government.

Robert Wiggins, an artist who plans to study animation in Japan next year, said he wants to see his mother settled before he goes overseas.

"I'm glad she has (the apartment at Liberty Court) because I won't be here to help her," he said. "I hate moving, and we've moved six or seven times this year already, but hopefully this will be the last time."

Once her housing problem is solved, Ms. Wiggins, 53, wants to get into a vocational rehabilitation program eventually; she wants to work in child care.

Under the balanced budget proposal, there would be no money for new public housing projects. Ms. Wiggins said she hopes that doesn't happen.

"I hope they change their minds about building new places for people," she said. "It's so important to have help to get back on your feet, and to have a good place to raise kids."

The Patriot-News, Harrisburg, Pa., Wednesday, November 15, 1995—A11

Shortsightedness shown on axing housing credit

By Karl Smith

AS I SEE IT

IF MORE EVIDENCE is required that college professors should never be allowed to corrupt the minds of impressionable students or members of Congress, this example might be cited: Robert B. Reich (Dartmouth, Yale, Oxford), President Clinton's secretary of labor and erstwhile economist at Harvard's John F. Kennedy School of Government, recently branded low-income housing tax credits, one of the most successful incentives for affordable housing ever authorized by Congress, as "corporate welfare."

Taking its cue from this carefully aimed shot into the heart of a highly efficient effort, the U.S. House of Representatives decided to *eliminate* the credit after 1997.

Low-income housing tax credits were implemented as part of the 1986 tax act, but took a few years to catch on. One of the reasons for this was that authorization for the credit kept "sunsetting" every years or so, making long-term planning hard to do.

Nevertheless, the public knew a good deal when it found one. Because of the credit, more than 25,000 apartments have been developed in Pennsylvania, where small property owners can rehab two or three units for local residents and receive a little tax break for doing the right thing. This has added more than a billion dollars to the state's economy over the past seven years.

The federal government never liked the credit, however, because states administered programs as each saw fit. The Department of Housing and Urban Development has been especially scornful, seeing the credit correctly as something that ate into its resources and *actually worked.*

Tax credits do not meet any of HUD's four criteria for the kind of housing it favors. HUD's criteria, and the way tax credits relate to them are:

● **Expensive housing.** Housing financed with tax credits doesn't need federal appropriations, because the money to build it comes from private individuals. Developers are able to achieve economies that are impossible in HUD's programs.

● **Poorly run housing.** The owners must keep tax credit apartments for at least 15 years, encouraging proper management and maintenance. HUD-financed housing seems to be exemplified by financial mismanagement and physical deterioration.

● **Ugly housing.** Most of the places receiving tax credits *look* like someone should actually live in them. They're often small developments, or even single apartments in already existing buildings. On the other hand, does anyone really expect HUD-financed apartments to look anything other than institutional?

● **Bureaucratic inflexibility.** The whole idea of tax credits is to create housing, not hire a bunch of bureaucrats, so states use a sensible, market-oriented approach for delivering credits to housing developers. It works. HUD does not stake up so well.

This is a bitter pill in Washington. It's so bitter that rather than allow a popular, effective and productive program to survive, Labor Secretary Reich — no doubt with the approval of fellow JFK School alumnus Henry Cisneros, secretary of HUD — gave House Ways and Means Committee Chairman William Archer just the thing he needed to try and do away with the tax credit. Congressman Archer's job was made easier because he can point to the closing of yet another tax loophole.

The folks who came up short are Pennsylvanians who won't invest their money in housing after the tax credit disappears, and other, less affluent individuals who might have rented apartments for a little less. Once again, it's the people who are going to be hurt, not the bureaucracy or the politicians.

Karl Smith is the executive director of the Pennsylvania Housing Finance Agency, the organization that allocates tax credits in the commonwealth.

Budget bill provision alarms RIHMFC

■ The U.S. House has overcome Senate opposition to ending the tax credit program for low-income housing.

By RUSSELL GARLAND
Journal-Bulletin State House Bureau

PROVIDENCE — A provision in the budget bill that Congress is preparing to send to President Clinton would "devastate" Rhode Island's ability to build apartments for low-income people, the executive director of the Rhode Island Housing and Mortgage Finance Corporation said yesterday.

The official, Richard H. Godfrey Jr., told the RIHMFC board of commissioners that the House has overcome Senate opposition to ending the tax credit program for low-income housing, widely used to subsidize construction of housing for the poor.

The fight to continue the program has been overshadowed by budget battles over Medicaid, Medicare and the Republican tax cut, but the tax credits are vital to Rhode Island, Godfrey said.

Virtually all of the so-called affordable rental housing constructed in Rhode Island recently — about 240 units a year — has been built using these tax credits, he said.

RIHMFC, the state's housing agency, allocates the tax credits to developers, who sell them to investors and use the proceeds to help finance the housing project. Rhode Island received $1.2 million worth of tax credits this year.

Nationally, the tax credits produce more than 100,000 housing units a year, according to information provided by RIHMFC. This is nearly all of the new rental housing for low-income people and nearly half of all multifamily housing constructed.

After the RIHMFC meeting, the head of one of Rhode Island's nonprofit housing developers echoed Godfrey's concerns.

"If they allow you to write off on your taxes the exploration of oil off the Georges Bank, or whatever, I really don't see why they can't also

Turn to **TAX CREDITS**, *Page B-4*

Tax credits

Continued from Page B-1

allow the private investor to invest not just in oil, but in the lifeblood of people," said Alma Felix Green, president of the Women's Development Corporation.

Created by Congress in 1986, the tax credits are good for 10 years, but rent restrictions on apartments built under the program run much longer, usually 30 years.

"It is a way for private corporations and wealthy individuals to invest in low-income housing, otherwise they probably wouldn't do it," Godfrey said. "What they're allowed to do is recover basically any amount that they invest over a 10-year period via a credit on their taxes."

The tax credits are the only major federal program left on the books to subsidize construction of housing affordable to low-income people. The program of issuing rent subsidy vouchers to poor families does not do this, Green said.

"A bank is not going to give you a mortgage on a voucher because a voucher is portable," she said. Also, she said, the voucher program does not guarantee decent housing for large families with very low incomes.

"If you have five children and you are a female, single-parent head-of-household, and your children are minority and you yourself are a minority person and you're on welfare, the private market, even if you have the money, is most likely not going to respond to you with safe, decent housing," she said.

The tax credits are good for 10 years, but rent restrictions on apartments built under the program run much longer.

Godfrey said the Senate, with leadership from Republican Sen. John H. Chafee, voted to preserve the program, but the House, which wants to do away with it, prevailed in negotiations between the two chambers. President Clinton says he will veto the GOP budget bill.

RIHMFC and its counterparts in other states will try to get Mr. Clinton to support the housing tax credits in his veto message, Godfrey said.

The Clinton administration is aware of the threat to the program. Housing and Urban Development Secretary Henry G. Cisneros recently called it essential to ensuring continued production of affordable housing.

He said he would expect Republicans to embrace the program because it provides an incentive for investors to participate in solving the nation's housing problems.

Godfrey said he did not know why House Republicans are so intent on doing away with the tax credits, but that the chairman of the House Ways and Means Committee, Rep. Bill Archer, R-Texas, is the leading opponent of the program. "It had overwhelming bipartisan support when it was made permanent in 1992," Godfrey said.

With Washington bureau reports by John E. Mulligan.

The Washington Times

WASHINGTON, D.C., THURSDAY, NOVEMBER 9, 1995

JOHN DANFORTH

Housing tax credits where it counts

Can Republicans shed the bad rap that we don't care about low income people and communities? Not if we abandon the few social programs that reflect core Republican values, are proven successes and enjoy broad support. That's why it makes no sense that the House Ways and Means Committee has targeted for elimination the low-income Housing Tax Credit.

I helped create the Housing Credit in 1986 when Republicans last controlled the Senate and Ronald Reagan was president. It was the only significant new tax incentive established under the landmark Tax Reform Act, and a dramatic contrast to previous housing programs that were poorly targeted, too expensive, plagued by the worst kind or federal bureaucracy, divorced from the discipline of the marketplace, and rigidly indifferent to local needs and priorities.

The Housing Credit has indeed been different. It is run by the states much like a block grant, not by the Department of Housing and Urban Development. Without federal bureaucratic shackles, the Housing Credit got off to the fastest start of any housing program in American history, and has been running hard ever since. It has produced 750,000 housing units since 1987, and 114,000 units last year alone. The National Association of Home Builders attributes almost half of all multifamily housing construction, and virtually all affordable rental housing development, to the Housing Credit. Because it is flexible and deployed by the states in consultation with local communities, the Housing Credit works well in a wide range of urban, rural and suburban areas, and has built and rehabilitated not just traditional apartments, but also single family homes, townhouses, and even single-room occupancy hotels for the homeless.

Another strength is the Housing Credit's ability to mobilize entrepreneurial capitalism for public benefit. It has attracted $12 billion in private investment, none of which would have flowed to low income housing otherwise. The private investors have brought rigorous business discipline to the process. Investors can claim and keep the tax credits only if the housing performs in the open market as promised, so that housing is built to last, on time and on budget, and is well maintained and operated efficiently. As a policy tool, the Housing Credit has been incredibly efficient; the typical house costs only $1,333 in tax credits per year for 30 years of service, and about 86 percent of that amount actually goes to build the housing. That's because investors must compete for a limited number of state-designated developments.

But the Housing Credit produces more than just housing. It has become a primary federal resource for rebuilding distressed inner cities. Nonprofit self-help groups, called community development corporations, have artfully used the Housing Credit to revive moribund neighborhoods and a sense of community pride and hope, with remarkable results from South Central Los Angeles to the part of the South Bronx where Colin Powell grew up amid poverty. In my own home state, the Kansas City Neighborhood Alliance uses credit-financed housing to bring stability to the lives of inner-city single parents, enabling them to get jobs, escape from welfare dependency, and even become homeowners. Such housing also anchors further economic growth in depressed and blighted areas, attracting additional private investment and jobs. Nationwide, the Housing Credit generates 90,000 jobs, $2.8 billion in wages and salaries, and $1.3 billion in tax revenues each year.

Moreover, the Housing Credit has shown us how real partnerships among community residents, the private sector, and government at all levels can really work. One nonprofit organization, the Local Initiatives Support Corp., has raised more than a billion dollars in investment for low income community sponsored housing from such prominent and sophisticated companies as the Bank of America, Fannie Mae, Freddie Mac, and Warren Buffett's Berkshire Hathaway. A respected business leadership group, the Committee for Economic Development, recommends that the Housing Credit should be expanded, in part because it "creates a connection of mutual interest between investors and inner-city communities." That kind of corporate-community collaboration is sorely needed at a time of rising social fragmentation and pessimism about our ability to solve America's most intractable problems.

Not surprisingly, so succcessful a program has attracted broad bipartisan support. By the time the Housing Credit was made a permanent part of the tax code in 1993, it had drawn co-sponsorship from 86 senators and 332 representatives, ranging from liberal Democrats like then-Senate Majority Leader George Mitchell and Rep. Charles Rangel of Harlem to conservative Republicans like now-Speaker Newt Gingrich and Sen. Jesse Helms. The Republican Governors Association calls the Housing Credit "a key element in the recovering real estate industry and the most effective tool we have to see the housing needs of lower income renters." Jack Kemp has said he wouldn't be Jack Kemp if he didn't support the Housing Credit.

So why is the House Ways and Means Committee proposing to end the Housing Credit? The committee cites a single, unsubstantiated charge that some taxpayers may inappropriately be claiming the Housing Credit, and has asked the General Accounting Office to investigate. But the GAO has barely even begun its inquiry, let alone concluded that the program is flawed beyond repair. That kind of justice is straight out of Alice in Wonderland, sentence first, trial later.

Instead of killing the Housing Credit, we should celebrate it as a leading example of a too rare breed: a social program that really works. The Housing Credit proves that Republican values can generate policy that is both effective and compassionate.

John Danforth is a former Republican member of the U.S. Senate from Missouri.

Chicago Sun Times
11/5/95

Commentary

Future of Housing

With Innovation, Block Grants Can Work

By John N. Varones

To affordable-housing advocates, losing federal Low Income Housing Tax Credits is like somebody throwing away the only bucket in a leaky boat.

This tax credit accounts for nearly all the production of low-income apartments in the country—roughly 100,000 units a year—about the same number of affordable apartments lost each year to demolition, abandonment and conversion to higher-income use.

The recently proposed sunset of the credit by 1997 in the House Ways and Means Committee marks the first salvo fired in the debate over the federal government's role in providing affordable housing for low- and moderate-income working families.

Should the credit be lost, the only remaining and clearly workable major federal housing program will evaporate.

Although it has been functioning only since 1987, the credit is used by developers to raise equity for housing projects. It has evolved as the most significant federal resource for developing affordable rental housing. Gov. Edgar recently urged lawmakers in Washington to continue the LIHTC, arguing that it is one of the few housing and urban development programs that produces tangible results.

John N. Varones

On average, more than 90 percent of all affordable rental housing and a third of all rental housing in the United States is produced with the LIHTC. The credit also could play a major part in the Chicago Housing Authority's efforts to move tenants from publicly operated high-rise developments into privately developed scattered-site housing.

As Washington retreats from the affordable housing arena, we need to find meaningful replacements for federal resources. Our nation's governors have been advocating putting welfare and Medicaid funds into block grants to allow states the flexibility and freedom to tackle these difficult problems head-on.

So does the U.S. Department of Housing and Urban Development, in its "Reinvention Blueprint," with a call for the consolidation of approximately 60 programs into three block grants to the states.

The logic of block grants is irrefutable. States know their housing needs better than a federal bureaucracy in Washington and can best address those needs with a flexible pool of funds.

The HOME program comes closest to resembling a housing block grant in the present federal funding arsenal. HOME monies, allocated directly to states, have few restrictions and have been used to foster home ownership, increase rental housing stock and rehabilitate buildings.

HOME funds have been used by many state housing finance agencies for creative and unconventional purposes. Since 1992, more than $70 million of HOME dollars have produced 2,100 units in Illinois.

IHDA used more than $4 million in HOME monies to fund a supportive housing development in the impoverished East Garfield Park neighborhood in Chicago. East Park Apartments, built through a private/nonprofit partnership between the Habitat Company and the Horner Association of Men, will provide single-room-occupancy units for 152 low-income, at-risk individuals who pay 30 percent of their income toward rent.

State housing finance agencies keep coming up with innovative financing ideas. IHDA's award-winning Affordable Housing Trust Fund Bond program last year produced triple the amount of units that could have been funded under traditional multifamily bond programs. Through a sophisticated bond structure, IHDA leveraged $5.5 million in state housing dollars into $112 million for affordable housing development—all without federal subsidies.

State housing-finance agencies have proved to the capital markets and to the public that taxpayers get their money's worth when it comes to providing affordable housing in America. Now the real test comes in convincing the politicians in Washington that any housing block grant approach should avoid unfunded mandates, give states an adequate share of funding— and allow maximum flexibility and minimum regulation to avoid locking states into the same mistakes that the federal government has made.

John N. Varones is deputy director of the Illinois Housing Development Authority.

CHICAGO TRIBUNE 11/5/95

Will housing incentive get just credit?

By J. Linn Allen
TRIBUNE STAFF WRITER

From Uptown to the West Side, from Woodlawn to Edgewater, community groups continually point to one federal program as crucial to revitalizing neighborhoods plagued by abandoned or blighted buildings that, besides being eyesores, often are a magnet for drug pushers, gangs and prostitutes.

The program is the low-income housing tax credit, a mechanism that allows corporations and individuals to get 10 years of tax credits when they invest in low-income housing.

The credits, which are administered by states and big cities, are available for units that must be kept at restricted rents for a minimum of 15 years. Tenant income limits are set at varying levels below the median for a given area.

Since they were introduced in 1987 the credits have constituted virtually the only federal program supporting low-income housing, generating about 750,000 housing units around the country since then.

Nearly 23,000 units have been developed through credits allocated through the Illinois Housing Development Authority—some of those in Chicago—and another 10,000 through the Chicago Department of Housing.

The importance of these additions is underlined when it is taken into account that about 60,000 housing units were lost in the city from 1987 through 1991, according to the U.S. Census Bureau.

But these figures only tell half the story. Because the credits are often used to completely make over radically run-down apartment buildings that drag down city blocks and entire communities, they have become essential to efforts at neighborhood turnaround as well.

The program has been such a success that in 1993 Congress made it permanent, meaning that it didn't have to come up for periodic review. But budget-slashing House Republicans have voted to "sunset" the program at the end of 1997, meaning it would have to be reauthorized at that time.

The provision is in the House budget bill that has gone to a House-Senate conference to be reconciled with the Senate budget bill, which doesn't include the "sunsetting" language. The joint budget bill, expected around Thanksgiving, also faces a possible veto from President Clinton.

Whatever happens, the prospect of an interruption of the credits has chilled community groups who have come to depend on the program.

"We take the worst building in an area and renovate it and gut rehab it," said Jean Butzen, director of Lakefront SRO, which specializes in providing housing for the homeless.

She pointed to the 5000 block of Winthrop Avenue in Uptown as a haunt of prostitutes and pushers and the site of frequent violence before the group rehabbed three buildings with 300 housing units on the block.

"Due in large part to our efforts, an entire block was completely turned around," she said.

Credits provided a third of the capital and helped leverage the rest, Butzen said.

"If there were no tax credits, Lakefront SRO wouldn't exist," she said. "We would never develop another unit of housing."

The Rev. Richard Tolliver, rector of St. Edmund's Church at 6105 S. Michigan Ave., in the South Side's Washington Park neighborhood, said the area around the church was "basically a wasteland" characterized by vacant lots and boarded-up buildings when he arrived in 1989. Congregants who had moved out returned only on Sundays.

With tax credits he has been able, starting in 1992, to renovate five buildings with 88 units for a total of $8.2 million and has submitted an application to rehab 67 more units next year.

The renovations, done through the St. Edmund's Redevelopment Corp., have created a "palpable sense of hope" in the community, he said.

Tolliver said one woman who lost her property insurance because she lived next to an abandoned building had it restored when the group pledged the building would be renovated, and the woman began to fix up her property.

The landlady of an apartment building also began to do repairs after St. Edmund's worked on another empty building next to hers.

"She felt her investment was restored in her own property," Tolliver said.

He said using conventional financing

See CREDIT, Page 7H

Credit

CONTINUED FROM PAGE 1

for the projects—in the unlikely event it could be obtained for ravaged buildings in ravaged neighborhoods—would drive up costs so high that rents would have to be raised beyond the means of local residents. Maximum monthly rents for 4-bedroom apartments in the buildings he has revived are in the mid-$500s, he said.

"If tax credits were not available we couldn't do this," he said. "In Chicago it's the only way to redevelop inner-city neighborhoods. If it closed down you would watch further deterioration."

He added that St. Edmund's Redevelopment Corp. would go out of business, which would probably mean that even those buildings already rehabbed would deteriorate again, because their management would have to be turned over to a private firm that would take a less personal interest in them.

About 30 percent of the credits go directly to non-profit developers such as St. Edmund's and Lakefront SRO, and a big chunk goes to private developers working with local non-profit groups.

This feature of the program is important in two ways. For one thing, the development is often done by people who have a long-term stake in the neighborhood and are involved with other community development activities that can be dovetailed with housing renovation and management. For another, community residents often get important work experience doing the projects.

Some private developers also make a specialty of working with the credits.

"It's one of the few programs out there for housing that has worked extremely well to accomplish its goals," said Bruce Abrams, president of LR Development, which redevelops both affordable and top-end multifamily housing.

He said his company rehabbed two of the worst buildings on the North Side, including one on Ridge Avenue near Senn High School in which 50 or 60 tenants, mostly drug dealers, had to be evicted.

"It wouldn't have been done if not for credits," he said.

Abrams said the problem of sunsetting the program in 1997, even if it is reauthorized, is that developers won't be able to plan ahead and hire or keep on experienced staff to work on what are almost always very complicated projects—especially from a financial standpoint.

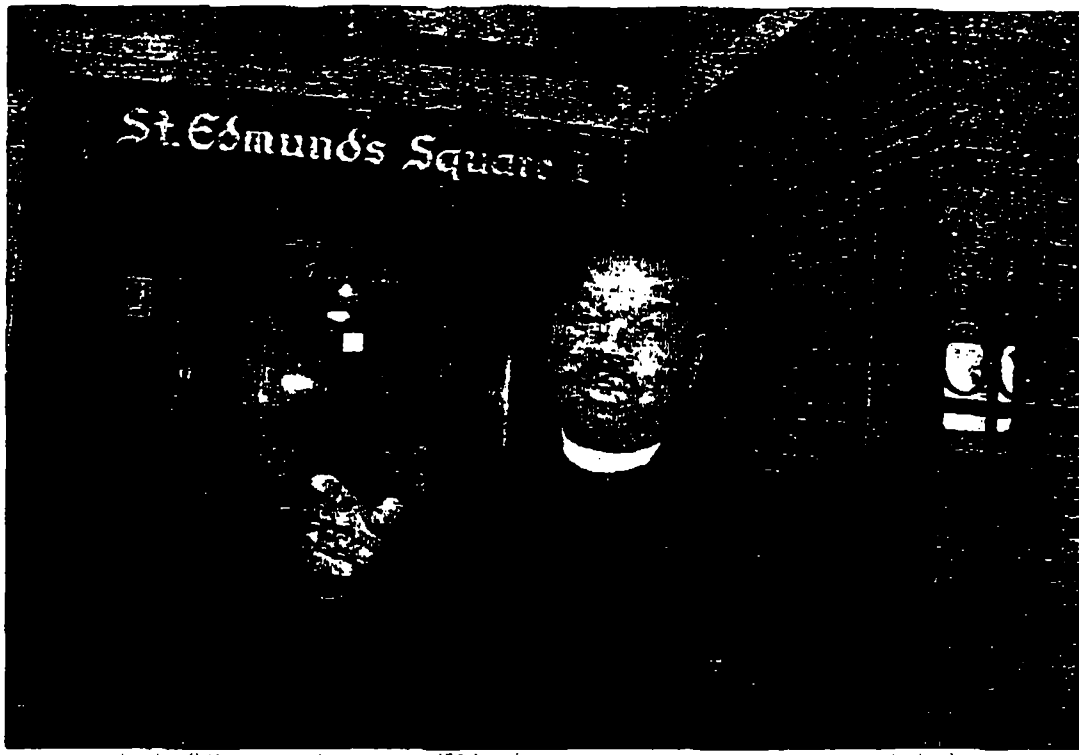


Photo for the Tribune by Karen Knn

Rev. Richard Tolliver, in front of one of the projects his church has rehabbed using low-income housing tax credits. "In Chicago, it's the only way to redevelop inner-city neighborhoods," he said.

The backers of sunsetting say there have been reports of fraud and abuse in the program and the best way to keep an eye on irregularities is to force its reauthorization every few years.

One draft study by the Internal Revenue Service, which is responsible for checking up on the $3 billion in credits claimed each year, said improperly claimed credits could total $800 million a year. That estimate, however, has been attacked by advocates of the program as "fantasy" based on scanty and inaccurate research.

Occasionally cases of fraud or abuse have been documented. A probe of the Chicago Department of Housing in the late 1980s showed credits were given where they weren't needed and for non-low-income projects.

Rep. Bill Archer (R.-Texas), chairman of the House Ways and Means Committee, where the sunsetting provision originated, has requested a report be made by the General Accounting Office on possible irregularities.

A spokesman for Archer said bringing the program up for review again would allow the GAO report to be assessed and could in itself have a "chilling effect" on fraud and abuse.

But beneficiaries of the program fear disruptions like those that occurred in the early 1990s, when reauthorization got snagged in political squabbling, throwing financing into turmoil, choking off development and creating costly delays. The program was made permanent to avoid repeating those problems.

Abrams said it would be more appropriate to investigate cases of abuse but increase the level of credits, because they go along with the Republican policy of transferring control to state and local hands and letting private and non-profit developers do the work rather than having the government provide housing.

One of the neighborhoods in which credits have been used extensively has been South Side Woodlawn, where hundreds of units have been renovated through the Woodlawn Preservation Investment Corp., a non-profit group.

Victor Knight, chairman, said Woodlawn has lost more than half its population and much of its housing stock in the last 20 years, but the vacant lots that remain can't be used for new housing until the existing apartment buildings are fixed up.

One small, single-family development of houses costing about $150,000 has been built near the University of Chicago campus, which includes a strip along Woodlawn's border with Hyde Park, and they are selling well, Knight said.

"But it wouldn't have been built if we couldn't have rehabbed the multifamily building sitting across the street or across the alley," he added. "Those buyers have the choice to move to the suburbs rather than on a block that's blighted."

Those homes and others being built in the Kenwood-Oakland neighborhood north of Hyde Park are seen as crucial to the long-term preservation of Hyde Park itself—perhaps the city's most solid, prosperous, integrated neighborhood.

"These neighborhoods north and south of Hyde Park have suffered through 40 years of disinvestment, and are being recreated as economically integrated neighborhoods," said Jonathan Kleinbard, University of Chicago vice president for community affairs.

"It's a sea change in urban life," he said, "and up until now, it couldn't have gone forward without tax credits, because no one will invest next to a blighted building."

The News Journal, Wilmington, Del. Thursday, Nov 2, 1995 Section B

Kent&Sussex

BUSINESS

New Journal 11/2/95 (B-1)

Desperation in Delaware

The plight of a 51-year-old woman and her teen-age son point up the state's growing crisis in low-income housing.

AP/KENNETH K. LAM

Time is running out for Sally DeVido and her son Robert A. West Jr. Currently lodged in a shelter for the homeless, they are obligated to leave by Saturday

By MIKE BILLINGTON
Staff reporter

Suddenly, Sally DeVido was homeless.

After a series of arguments, her husband told her to leave their Hartly home a few weeks ago. DeVido, who receives a small disability pension, and her teen-age son moved in with a daughter in Glasgow for a few days and started looking for a place to live. She called every state and local agency she could think of and, when they couldn't help, she turned to her elected officials.

She called the governor's office, her state senator and state representative, and Sen. Joseph R. Biden Jr.'s office. Because she has little money, she asked for help finding low-income housing.

None were able to help. One of the reasons: Delaware has very little low-income housing.

"It seems like there's no place for me to go," said DeVido, 51.

If the GOP's plans to balance the federal budget – contained in sprawling House and Senate bills that passed last week – become law, experts such as Susan Frank said help for DeVido and others who need low-income housing will not come soon.

"It's safe to say that the proposed cuts will have a detrimental impact on our ability to house people," said Frank, executive director of the Delaware State Housing Authority. "Things will only get worse if [housing assistance] programs are cut."

Experts agree the biggest threat to increasing the state's meager supply of affordable housing is a House Republican proposal to eliminate the low-income housing tax credit in 1997.

"The tax credit is the only program the federal government has for the production of apartments for low-income working families. The people who live in them have less than 60 percent of the local median income. The fate of this program will be very important to Delaware," according to John McEvoy, director of the National Council of State Housing Authorities in Washington, D.C.

Under the GOP bills passed by the House and Senate, experts said Delaware stands to lose about $4.5 million in tax credits for builders of low-income housing between 1996 and 2002. That means about 1,200 low-income residences will not be built during those years.

That will hurt the state's building industry and, by extension, Delaware's economy.

National figures indicate that, annually, the tax credit is directly responsible for 100,000 construction industry jobs, $3.1 billion in wages, and $1.5 billion in taxes.

See HOUSING — B2

News Journal 11/2/95 / B-2

Housing: 'Thousands in need'

FROM PAGE B1

"I cannot overstate the importance of the tax credit program," Frank said. "A consortium of banks has set aside a pool of money for the sole purpose of financing affordable housing in Delaware. We are at risk of losing that if the tax credit program is eliminated, and that would be tragic because not every state has a fund like this to draw from."

If it disappears, she said, state taxpayers will have to dig into their pockets to fund construction of low-income homes.

"It doesn't make sense to eliminate this program," Frank said. "We have partnerships that are working and the program is so well thought of that we get many more proposals than we have tax credits for."

Although the House wants to eliminate the tax credit, the Senate wants to keep it. The result: the tax credit is one of many items under review by a joint House-Senate conference committee. The committee will work out a compromise, and the final version will be sent to President Clinton.

The tax credit is available to builders who construct low-income apartments. It has been a boon to thousands of Delaware's poorest citizens, Frank said. During the past seven years, builders have used the tax credit to add 3,301 low-cost apartments to the state's housing stock. The state has invested $3 million in those building projects. Private companies, meanwhile, have invested $12 million in them, she said.

"A million dollars in tax credits leverages several millions of dollars in actual private-sector investments," she said.

A new low-income apartment "doesn't just help one person for one year. It helps many people over 20 or 30 years," Frank said. "We built 320 apartments in 1994 using these tax credits."

Currently, the state has 3,619 public housing units and another 3,433 apartments subsidized through the federal Section 8 housing program.

A powerful advocate

Although House Republicans insist the tax credit must go, it does have a champion: Sen. William V. Roth Jr., R-Del., chairman of the Senate Finance Committee.

"As it happens," McEvoy said, "Sen. Roth will play a key role in the conference committee, and that could help save the tax credit. He has always been one of its strongest supporters."

"But we can't predict what the outcome will be," added Barbara Thompson, the council's governmental affairs director. "I think we can count on chairman Roth to fight hard for this tax credit in conference, but there are many competing issues and there is $3.5 billion that can be saved in the federal budget if this program is allowed to sunset in 1997."

Roth aides said the senator cannot comment on the conference committee's work yet because it has only just started and there is no way to predict what will eventually happen to the House and Senate bills.

The clock is ticking

DeVido, who had no financial interest in her husband's Hartly home, was forced to leave her daughter's rented home when the landlord objected to her and her son living there. She moved into an emergency shelter but can only stay one week.

She must leave Saturday night. She does not know where she will go after that.

Under Republican budget plans, federal aid used to keep Delaware's emergency shelters open will be cut as much as $39,000, according to Cyndi Marshall, a spokeswoman for the Delaware State Housing Authority. "But that's only a guess because when the final bill comes out of the conference committee those numbers can change radically," she said.

DeVido would like to live near her daughter, so she went to the Newark Housing Authority to see about renting a subsidized apartment through the federal Section 8 housing program. The problem: There is a nine-month waiting list for Section 8 eligibility.

Thousands need help

Unlike the tax credit, the Section 8 program does not seem to have a powerful protector on the conference committee.

Neither the House nor the Senate bills call for any expansion of the Section 8 program. That means the only way anyone can move up on the list is if someone gets a job, surrenders his Section 8 certificate, and moves into a non-subsidized apartment.

"In reality, the waiting lists are not going to get better because the number of certificates will stay the same," Thompson said.

In fact, the number may decrease. Congressional Republicans have pushed through a 25 percent cut in the federal budget for affordable housing this year, and they've indicated they want to cut even more next year.

"We are concerned that our waiting lists will double," Frank said. She said there are thousands in Delaware who need housing "and we're afraid that the federal programs we use to supply it are going to be eliminated."

The state housing authority recently opened a small public housing project in Selbyville. Marshall said it may be the last one that opens in Delaware for a long time if the GOP budget passes without modification.

"Right now it looks like we're going to lose any chance of getting new public housing development money. Neither the House nor the Senate are in favor of continuing that," she said.

All of which leaves DeVido, her son, and thousands of others in their situation wondering what will happen next.

MULTIFAMILY

Sunset of tax credit could jeopardize low-income housing development

by Kathy Tucker

Sunsets can be beautiful, but one that may occur on Dec. 31, 1997, doesn't paint a pretty picture for low-income housing developments and their residents.

From the time it was established in 1986 through year-end 1994, the Low Income Housing Tax Credit allowed Colorado developers of affordable housing to create nearly 9,000 units, according to the Colorado Housing and Finance Authority.

CHFA each year receives applications for four times as many credits as it has to allocate.

But that will change if, as some members of the U.S. House of Representatives are proposing, the credit is allowed to "sunset" — expire — at the end of 1997.

And without the credit as incentive to developers, affordable-housing development itself could in effect expire, leaving the residents who rent it in the dark for choices.

"There seems to be an idea that they're attacking the rich developer, but they're not," said Barry Serlis, who's been developing low-income housing for 21 years. "They're attacking the folks that need this housing the most."

The Low Income Housing Tax Credit was established in 1986 when the Tax Reform Act of that year repealed many other tax credits. It began as a temporary program but became a permanent part of the Internal Revenue Code in 1992.

Each state annually receives $1.25 of tax credit per resident. In Colorado, that adds up to about $4 million of allocable credits, according to David Martinez, CHFA communications manager.

Applicants for the credits must meet one of two criteria: the 20-50 test or the 40-60 test. Under the 20-50 test, developers agree to set aside 20 percent of the units that they're developing for occupancy by residents whose income is 50 percent, or less, of the area median income. Under the 40-60 test, developers restrict 40 percent of their units to residents whose income is 60 percent, or less, of the area median income.

"We're certain that credits have been quite a stimulus for the private sector to find investment opportunities in housing that restricts at least a percentage of the units to families of qualifying levels," Martinez said.

Developers must agree to either test for a term of 15 years.

Additionally, there is a list of criteria for which an applicant receives points, up to a maximum of 285. For example, an applicant that's going to renovate a dilapidated building may get up to five points. Or, an applicant that's going to develop 25 or fewer units may also get up to five points.

Affordable housing has become less affordable to build — as a result of factors such as land costs and growth ordinances — and the number of tax-credit applicants has grown. Meanwhile, the number of available tax credits has remained stable. So, developers have made additional guarantees to better position their projects.

"They're required to provide at least 15 years, but to be competitive, they're going above and beyond that: Investor A says 'I want this tax credit and I'll keep my building low-income for 30 years.' Investor B says he'll do it for 40 years," said Erik Robinson, sales associate with the Multi-Housing Properties Group of CB Commercial Real Estate Group Inc.

Martinez said that a commitment of 20 years gets 10 points. Each five-year increment after that receives five points, up to 30 additional years.

Although a tax-credit recipient must maintain affordable housing for 15 years, the tax credit itself — calculated based on 15 years — is applied over 10 years.

"They are giving 15 years' worth out over 10 years," Robinson said. "At the end of those 10 years, you still have to provide low-income housing, but you don't get a tax credit anymore."

Robinson, who's learned about tax-credit deals by handling them, said that Congress accelerated the tax credit to give out more credits over a shorter period of time.

However, if an owner of a tax-credit property decides to sell the property before its 15-year term has expired, the owner must post bond with the Internal Revenue Service for the amount of credit the owner has received.

"The reason is because they're giving you credit for something you haven't provided yet — the last five years," Robinson said.

Usually, tax-credit recipients sell their credits as soon as they receive them. They don't actually need the tax credits, but rather the cash that selling them brings. So they find an investor who needs the tax credits and who will buy them at about 70 percent of their face value, according to Martinez. The investor gets a tax credit and the developer gets cash up-front to finance his development.

"You sell that credit to an investor, who is a limited partner, take those dollars and apply them toward the cost of the project to reduce the loan you have, therefore reducing the loan payment so you can drop the rents and still make your normal cash flow or close to it," said Serlis, who has sold his tax credits to build some 1,600 affordable housing units.

"If the tax-credit program goes away ... we won't be able to provide the housing at the affordable levels that we currently do," he said. "When you build a $10 million apartment complex, you have to go to a lender source, who wants to know if he's going to get repaid, and that's based on the net operating income of the property. If I have to borrow more money because the credits are gone, then I have to increase the rents."

And the residents paying those rents would be, in Martinez' words, "those people who can least afford housing."

He said that if the Low Income Housing Tax Credit is allowed to sunset, it will deal a "devastating blow" to the private sector's incentive to provide affordable housing.▲

Real Estate

NY Times

The Ax Is Poised on Low-Income Housing Efforts

SUNDAY, OCTOBER 22, 1995

In New York City, loss of tax-credit financing would be a sharp blow.

By ALAN S. OSER

INTO the great kettle of alphabet soup in which the designations of New York City housing programs swim, the Giuliani administration, early on, ladled the letters N.E.P.

They stand for Neighborhood Entrepreneurs Program. The idea behind this new program was that about half the occupied tax-foreclosed housing units that remain under centralized city management would be rehabilitated at city expense and put in the hands of small local businesspeople to own and manage over a 10-year period.

Potentially about 3,000 buildings with 28,000 low-rent apartments in Harlem, Bedford-Stuyvesant, the South Bronx and other locations with large low-income populations could go in this direction. So far new owners have been chosen for 110 buildings with about 1,000 apartments. Closings, and subsequent rehabilitations with tenants in place, are imminent. The new owners have already started acting as building managers.

It has not been a universally popular approach to rehabilitation in housing circles, but Deborah C. Wright, the commissioner of the Department of Housing Preservation and Development, is gratified. "The tenants are ecstatic about having a live person to call about building problems," she said, as if answering those who worry that low-income tenants will be poorly served by private owners.

The critics should more appropriately worry about the future of housing production for low-income tenants at all. The Neighborhood Entrepreneurs Program is merely one of several approaches to rehabilitating blighted tax-foreclosed property. An increasing number of them depend on the Federal tax credit for low-income housing, currently threatened in Congress. Under a tax bill passed by the House of Representatives, it would be phased out over two years.

In New York City, the uses to which the Federal program has been put extend even to new construction in strong market areas such as the West Side of Manhattan. It has become an ingredient in attracting the equity that developers apply to mixed-income rentals that receive tax-exempt bond financing. In these "80-20" projects 20 percent of the tenants must be low-income — that is, household income must be below 50 percent of the median income in the area. In most locations, market rents are still not high enough to attract either equity or debt financing without public assistance, specialists in housing finance say.

But for the most part it has been used flexibly in low-income neighborhoods, either to supply the equity needed to generate construction or to finance operating costs or social services for tenants. Its flexibility has been one of its charms in the housing world. From the standpoint of housing producers, there is a minimum of bureaucracy involved in putting the money to work.

It also has the effect of giving the private sector a stake in the longterm viability of housing and neighborhoods, and corporate America a stake in improving conditions in poor urban areas. Since the tax benefit can be lost if the housing fails, investors exercise oversight of operations for many years through intermediaries like the Local Initiatives Support Corporation (LISC), the Enterprise Foundation, two nonprofit syndicators, and The Related Companies.

Another effect of the tax credit system in New York City is that it has propped up property values in the private sector. Nonprofit developers with a state funding commitment have been able to pay prices for old Manhattan hotels, for example, that the private market would not pay. Without subsidies, prices would fall to a level where a private entrepreneur would eventually buy.

Under the tax credit program, corporations and other large investors can in effect earn a 15 percent return, through savings on Federal taxes, for each upfront dollar they invest in low-income housing. Each state gets an annual allocation of credits — $1.25 per capita. New York State's allocation for 1995 is $22.6 million, which commits the Federal Government to forgoing $226 million in taxes over 10 years.

New York State has been able to generate 30,000 units in about 700 new and substantially rehabilitated developments under this program since it began in 1987, the state's Division of Housing and Community Renewal says. Of that total, 19,000 units are in New York City.

According to Joseph Holland, commissioner of housing and community development, the loss of the tax credit would be a devastating blow to efforts to provide affordable housing. It is being used increasingly to finance these efforts, he said.

THE Federal program began in 1987 and New York State has received $208 million in allocable credit through 1995. Cumulatively, the Federal Government has thus committed itself to forgoing $2 billion in taxes to assist the production of low-income housing in the state.

Under the tax-credit program, the city hopes to rehabilitate and divest itself of an average of 2,500 housing units a year over the next 10 years, Ms. Wright said. That would enable it to use Federal community development grants for housing production instead of housing management, an inefficient use of Federal money.

"Without the tax credits we're out of business," Commissioner Wright said.

The Neighborhood Entrepreneurs Program shows the use of the money as an operating subsidy. The city will pay for the rehabilitation from capital funds, at an anticipated per-unit cost averaging $60,000. The building would pay neither debt service nor taxes, but tenants' income is so low that their rent cannot even cover operating expenses. These are calculated at $5,400 a year ($450 a month), compared with rental income averaging $226 a month. The tax-credit subsidy makes up the difference.

Without the credits, new construction for lower-income tenants also would wind down. In Brooklyn, the St. Nicholas Neighborhood Preservation Corporation has produced about 1,200 units of housing in the Williamsburg and Greenpoint sections of Brooklyn over the last 12 years. Currently it is a partner of Los Suros, another nonprofit developer, in a 48-unit new-construction project at Throop Avenue and Whipple Street in Brooklyn.

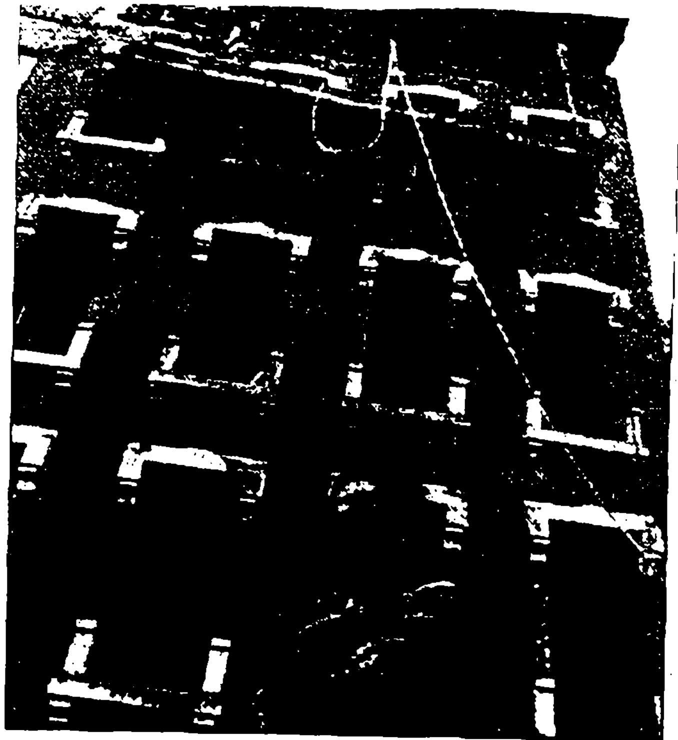
"Everything we've done in the last four or five years requires tax-credit financing," said Michael Rochford, director of the St. Nicholas corporation. In this case, a third of credits from the state for syndication; the rest comes from a state-city capital pool. Sparrow Construction is doing the construction on a turnkey basis, that is, upon completion title will be taken by a company formed by the sponsors.

The tenancy will be half low-income working people and half "homeless" — many probably consisting of families displaced by site consolidation for new-home construction on former Pfizer Corporation land nearby.

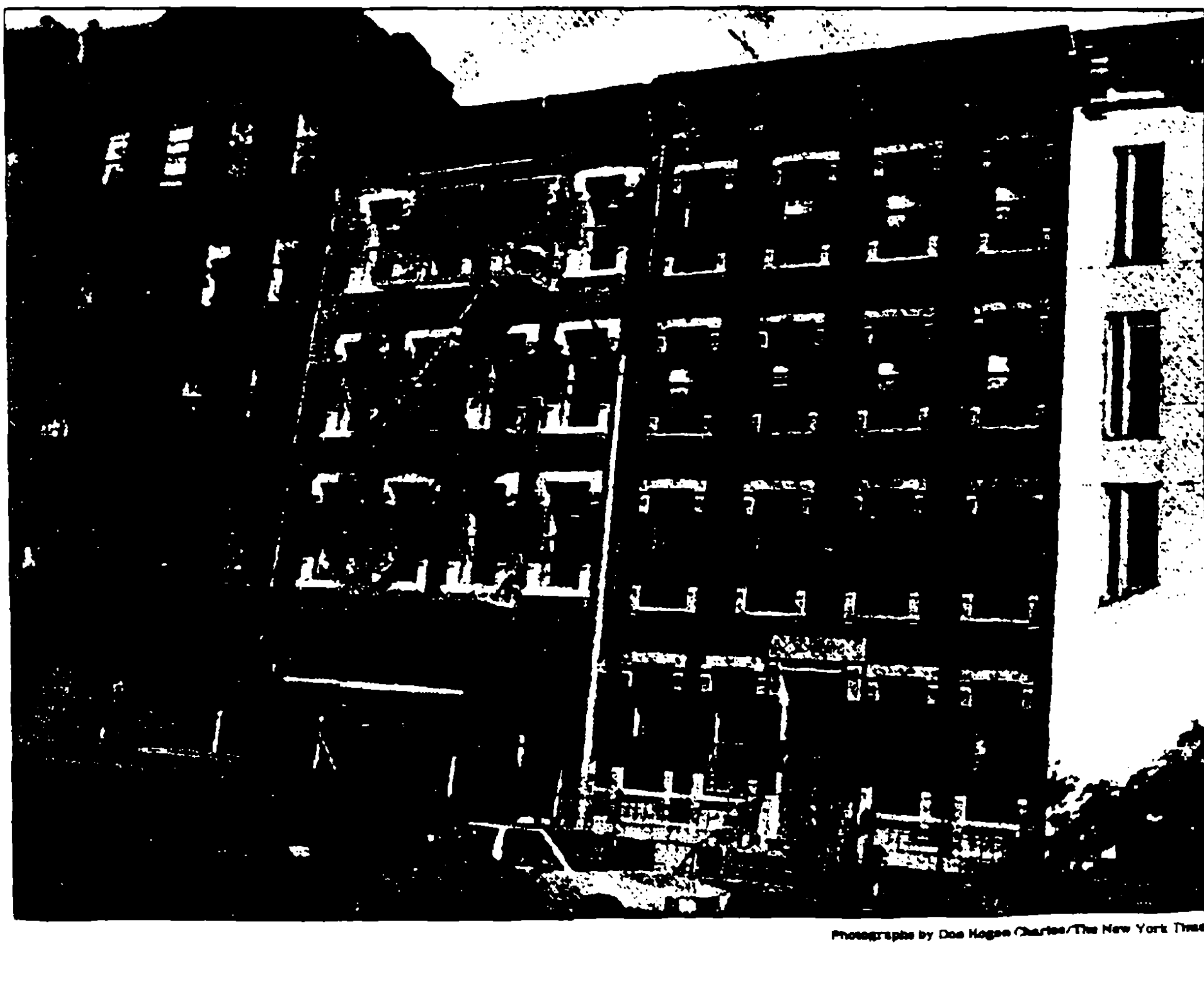
In East Harlem, Hope Community Inc., a nonprofit community-based housing organization, is using the program with state money to rehabilitate three buildings on East 104th Street. "We bought the buildings a few years ago from a private owner and we've held them till we could find the right program to finance the work," said Mark S. Alexander, director of Hope Community.

And in Riverdale, Jeffrey E. Levine, a builder and contractor based in Douglaston, L.I., is relying on tax-credit financing to build a mixed-income 170-unit 18-story building on land he has assembled on the east side of the Henry Hudson Parkway south of Johnson Avenue.

"If it were a straight market-rate project I wouldn't be able to get the financing for it," he said. ■



Mark S. Alexander, director of Hope Community Inc., a nonprofit community-based housing organization, which will run walk-ups being rebuilt on East 104th Street, including No. 164, above, and No. 157, with scaffolding, left. Use of the Federal tax-credit program will keep rents low.



Photographs by Dee Hogan Charles/The New York Times

GUEST OPINION Banker + Tradesman 10/23/95

The Whys And Wherefores Of The Housing Tax Credit

By Marvin M. Siflinger

WHAT IS THE LOW-INCOME HOUSING TAX CREDIT? It 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 nationwide, more than 15,000 of them in Massachusetts. 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 that 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 state agencies, appropriate local officials and private investors determine that quality housing is built where it is needed. In Massachusetts, Gov. William F. Weld has designated the secretary of the Executive Office Of Communities and Development to be the tax credit allocator for the commonwealth. EOCD Secretary Mary Padula and her staff have done an excellent job in administering this vital program. In addition, Massachusetts Housing Finance Agency Executive Director Steven Pierce and the staff have financed and are providing quality asset management to several thousands of units produced under a special provision of the tax credit program that is combined with tax-exempt financing.

IS THE TAX CREDIT PROGRAM CORPORATE WELFARE? 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 rental apartments does cut the tax bill for investors; that's the incentive. But it does not subsidize corporations for expenditures they would be making anyway. 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 because they are helping people in need.

MARVIN M. SIFLINGER, *formerly director of the Boston office of the U.S. Department of Housing and Urban Development and the Massachusetts Housing Finance Agency, is currently co-chairman of Housing Partners, a Boston-based housing consulting firm.*

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 then-President Ronald Reagan. It is an unprecedented model for reducing the federal government's intrusion in American life and reinforcing individual responsibility for one's own life. If Congress were to set out today to create a housing program that mobilized private and public resources under state direction to help finance privately owned, affordable rental apartments, it would create something very much like the tax credit.

WHY OBJECT TO THE PROPOSED SUNSET FOR THE TAX CREDIT? 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 eliminated now, where will the revenue be to resurrect it as 2002 draws near? 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.

The record of production of nearly 800,000 units of quality low-income housing deserves the bipartisan support it is receiving in the Senate. The tax credit program is clearly in the public interest and is worth fighting for. ■

Saturday, October 21, 1995

The Washington Post

MARYLAND & DISTRICT HOMES

REAL ESTATE

Low-Income Housing Credit Awaits Its Fate

Lawmakers Tie Program's Future To Reconciliation of the Budget

By H. Jane Lehman
Special to The Washington Post

The permanency of the $2.2 billion tax credit to spur construction of apartments for low-income people is again in doubt.

Two years ago the Democrat-controlled Congress voted to end the uncertainty associated with year-by-year renewal of the low-income housing tax credit by embedding it permanently in the tax code.

Last month, however, the influential House Ways and Means Committee, as part of budget reconciliation legislation, voted to end the program on Dec. 31, 1997.

But this week the Senate Finance Committee left the program untouched, so the matter is ultimately likely to be settled in a House-Senate conference committee debating overall budget issues, probably next month.

The program cost $2.2 billion in uncollected tax revenue this fiscal year, according to a Joint Committee on Taxation estimate.

Developers vie for allocations of the credit from the states where they plan to build apartments with rents affordable to households earning no more than 60 percent of an area's median income, which in the Washington area would be $37,620 for a family of four.

The developers, often in conjunction with a syndicator, then sell the credits, good for 10 years worth of dollar-for-dollar write-offs against tax liabilities, to investors who pay a lump sum for the credits, often in the million-dollar range.

With the cash as an equity stake, developers do not need to borrow as much money to finance the projects as they would otherwise. That, in turn, lowers the monthly tenant rents needed to support the projects to a level manageable by the low-income households, the only renters eligible to occupy the apartments for 15 years under terms of the credit.

With the end of federally sponsored housing production programs, the credit has been responsible for most of the affordable apartments built since 1986, according to the National Association of Home Builders. The trade group said that in recent years the credit has enabled the annual construction of 50,000 to 60,000 new low-income rental units and the rehabilitation of about 60,000 exist-

See CREDITS, E2, Col. 1

Low-Income Tax Credit Is at Risk

CREDITS, From E1

ing affordable apartments, NAHB spokesman Jay Shackford said.

Over the past seven years, the credit has helped build 2,227 units of affordable housing in the District, including Luther Place, a 100-unit apartment building near Vermont and Massachusetts avenues NW for homeless women and low-income working families.

In Maryland, the credit has produced 14,839 units, including 280 houses and town homes scattered throughout Montgomery County and the 100-unit Park Seton apartments for the elderly in Bladensburg.

In Virginia, the credit stimulated development of 17,509 apartments, including rehabilitation of the 29-unit Elbert Avenue Apartments in Alexandria.

The idea behind the Ways and Means Committee decision to end the credit, said Jim Clark, an aide to the Ways and Means chairman, Rep. Bill Archer (R-Tex.), is not to cancel the program but to force it to justify its existence on an ongoing basis. That would return the housing credit to an equal footing with other tax credits, such as those for corporate research and development, job targeting and orphan drug experimentation, he said.

"All that is being done is undoing the 1993 act and throwing [the housing credit] back into the pot with the other expiring tax provisions," Clark said. "It will again become subject to periodic review to make sure it is working correctly."

Clark acknowledged that canceling the permanent status of the credit would result in $3.5 billion in savings over the next seven years, which can be counted toward budget deficit reduction or a tax cut.

With the end of federally sponsored housing production programs, the credit has been responsible for most of the affordable apartments built since 1986.

Supporters, however, say the move to end the popular program is tantamount to killing the credit, which has been responsible for 40 percent of all apartment construction in recent years.

F. Barton Harvey III, chairman of the Enterprise Foundation, a Columbia-based syndicator of the credits for nonprofit developers, is among those suspicious of the motivation behind the proposed change to the program.

"If it is not scheduled to end, why are they counting on revenue savings in 1998 and beyond?" Harvey said. "It is very tough to find the revenue to restart a sunsetted program, and they know it."

Harvey also said he was puzzled by the threat to the credit, which previously had enjoyed strong Republican support. The attack was "antithetical to the Republican vow to incentivize the private sector to do more social work that needs to be done," he said.

Even if the program were ended and then subsequently revived, the loss of permanent status may well dry up corporate interest in investing in the credits because of the extensive research and oversight the projects require, said John McEvoy, executive director of the National Council of State Housing Agencies, whose members allocate the credit to developers.

Jim Arbury, vice president of the National Multi Housing Council of apartment owners and developers, said he is nervous about how the credit will fare when negotiators from the House and Senate debate the item, given that it is "all tied up in the dynamics of budget reconciliation and the size of the tax cut" sought by the Republicans.

Repeated doubts raised about the credit, including a 1994 Internal Revenue Service memo focusing on improprieties in the Philadelphia area, prompted Archer to push for repeal of its permanent status, Clark said.

The program is a "very rich credit," Clark said, making it a tempting target for abuse.

The tax credit also came in for criticism earlier this year, when the Progressive Policy Institute, a Democratic-oriented think tank, listed it among examples it compiled of "corporate welfare" given to private business by the government. The credit "really is not increasing the number or quality of units available to low-income people," said Jeff Hamond, an economic policy analyst with the organization. "It was ending up in somebody's construction fees or investments."

McEvoy defended the credit, saying he believes a General Accounting Office report due out next spring will conclude investors do not make windfall profits and developers do not collect excessive fees because of safeguards already in place.

McEvoy also said the credit does not fit the definition of corporate welfare. Although it does cut the tax bills of investors, it does not subsidize corporate expenditures that would be otherwise made, he said.

READERS FORUM

Sands shift beneath housing plan

IT'S MY TURN

ALLAN HUNT

In recent action, the U.S. House of Representatives' Ways and Means Committee voted to terminate the Low Income Housing Tax Credit program in 1997 in the name of eliminating corporate welfare. The committee's action was supported by the full House a few days later.

Corporate welfare? How would the 23 or so Vermont banks and corporations who have invested nearly $40 million in affordable housing feel about having their investment labeled corporate welfare?

Through their investment, nearly 2,500 badly needed apartments have been built, renovated or preserved in Vermont since the program began in 1987. Over 1,800 apartments are affordable to Vermont households earning less than 60 percent of the state median income. It is far and away the largest remaining federally-authorized program supporting the creation of affordable rental housing.

What do the investors receive in return? In Vermont, the investors receive an average 12 percent return over a 15-year period, assuming the development remains affordable to the targeted population. A fair return for a most worthwhile investment but certainly not corporate welfare.

The other reason suggested by Committee Chairman Bill Archer, R-Tex., for terminating the program was to give the General Accounting Office an opportunity to evaluate its effectiveness. To terminate a program only to then study it is a little like sentencing someone prior to having a trial.

The reality is that this program has been a very effective method of producing affordable housing at a relatively low cost to the American taxpayer. In fact, the tax credit program was made permanent by Congress just two years ago, after a lengthy deliberation on its merits. The problem is that it is such an efficient, non-bureaucratic program that it doesn't have lots of lobbyists spending large sums of money to keep it alive. It is a program administered by each state and can be designed to work effectively in any area of the country.

The creation of affordable housing is beneficial to all who rent, since increasing the supply of apartments helps control the spiraling rents experienced in the mid-1980s when no such program existed. Through the Tax Credit program, Vermont's economy is enhanced by the creation of jobs, an increase in local property taxes, improved sales of building materials and other related activities.

This effective housing program is likely to be terminated unless the Senate fails to go along with the House recommendations. Thankfully, Vermont is represented by two thoughtful senators who are actively working to keep this important program for Vermonters. All low- and moderate-income household who currently live in substandard apartments or pay excessive rents will be the biggest losers if this program is allowed to sunset.

Allan S. Hunt is executive director of the Vermont Housing Finance Agency.

The Washington Post

THURSDAY, OCTOBER 19, 1995

Successful Housing Credit for Poor in Peril

By Guy Gugliotta
Washington Post Staff Writer

It is a program the GOP should love—a federal tax incentive administered by the states that uses private capital to benefit local communities. The program's goal is to produce rental housing for poor people, and by almost any measure it has been wildly successful.

Since its inception in 1986, the Low Income Housing Tax Credit has been used by private investors to build or renovate nearly 740,000 housing units nationwide. In 1995 it will help construct about 110,000 units, well over 90 percent of new low-income housing.

On Sept. 19, however, the House Ways and Means Committee on a party-line vote, approved a proposal by Committee Chairman Bill Archer (R-Tex.) to terminate the housing credit by the end of 1997.

The measure will be included in the House version of the reconciliation bill destined for floor debate next week. "Sunsetting" the tax credit is expected to save the federal government $3.5 billion over the next seven years.

Archer in July asked the General Accounting Office to see whether the IRS adequately was monitoring the housing credit for fraud. He suggested in his letter that "the lack of a solid compliance program could cost taxpayers as much as $600 million a year."

Archer's office said the panel intended to examine the report and hold hearings next year, with a view toward relenting on this year's decision. Still, a spokesman acknowledged, the committee has computed the savings for seven years as if the program were dead as of Dec. 31, 1997.

The housing credit grants a 10-year tax credit to corporations and individuals who invest in housing designed to serve families with incomes below 60 percent of the area median.

Until now the federal government has allocated about $300 million in credits to the states each year. This money has enabled housing providers to leverage about $12 billion in direct private investment.

In the Senate, reconciliation so far has left the housing credit untouched, and 44 senators, among them 14 Republicans, have registered dismay at the House action. A Sept. 27 letter signed by the Republicans extolled the credit as a "crucial program" that had been "tremendously successful."

The letter to Senate Finance Committee Chairman Sen. William V. Roth Jr. (R-Del.) also noted the credit fulfilled GOP ideals because it was "a decentralized program, administered by states according to their specific housing needs, free of interference from Washington." It is successful, the letter continued, "because it is market-driven." There is little doubt, the letter said, "that a sunset of this program is tantamount to killing it."

Without agreement by the Senate and House, the ultimate fate of the housing credit will be decided when the two chambers meet in conference on reconciliation bills.

Low-income housing advocates are heartened by the Senate support, particularly since the housing credit "displays a lot of the attributes that the new [Republican] majority would want to see," said Paul Grogan, president of the non-profit Local Initiatives Support Corp., which uses the credit to promote partnerships between business and community housing providers. "But we're scared to death."

BFP Wed. Oct. 18, 1995

Cuts could devastate low-income housing

By Betsy Liley
Free Press Staff Writer

MONTPELIER — Rents could balloon in dozens of housing projects for low- and moderate-income Vermonters if Congress proceeds with proposals to reduce federal subsidies.

The U.S. House and Senate are considering reducing the amount of federal money for subsidized housing projects built or rehabilitated in the 1970s and 1980s. Landlords would have to raise rents to make up for the loss or face the possibility of defaulting on their mortgages.

"The worst problems could occur in those areas of the state that are least able to handle them," such as the economically disadvantaged Northeast Kingdom, said Allan Hunt. Hunt is the executive director of the Vermont Housing Finance Agency, which arranged loans for many of the projects.

"All these projects could face, potentially, a shortfall in operating monies," Hunt said. "How significant that is depends on what scenario you follow. It could result in significant loan defaults of projects."

The cuts in housing subsidies are just one of the hundreds of budget decisions being made in Congress this month as it tries to finish work on the 1996 federal budget. Republican congressional leaders have promised to balance the budget by 2002, which is forcing reductions in most government spending.

Housing is no exception. Both houses of Congress have endorsed cuts of about 23 percent in the Housing and Urban Development Department budget this year.

In Vermont, officials are worried about a housing subsidy program, known as Section 8, that helps low- to moderate-income people pay for housing.

Some subsidies are given directly to people as vouchers, allowing them to choose their own housing. Other subsidies are attached to housing units, requiring people to live in a specific place in exchange for lower rent.

From the mid-1970s to the early 1980s, about 100 affordable housing projects in Vermont were built with help from the finance agency. The developers also secured a commitment from the U.S. Housing and Urban Development Department that Section 8 would help pay the rent in each unit.

See HOUSING, 4A

FEDERAL SPENDING IN VERMONT

The disappearing
DOLLAR

This week the Free Press explains to Vermonters how federal spending and planned budget cuts will affect them. Look for coverage of the following issues today through Friday:

MONDAY: Social Security and Medicare

TUESDAY: [illegible] and unemployment compensation

[illegible]

THURSDAY: [illegible] and food stamps

FRIDAY: Supplemental Security Income and [illegible]

In Burlington, those projects included the 88-unit Bobbin Mill on Pine Street and the 36-unit [illegible] ood Ave.

Some of the 100 projects have been refinanced. The Vermont [illegible] holding $60 million in loans [illegible] 82 projects. Those projects have about 2,000 living units.

Aid to Needy Families with Children

A Vermont picture

Dawn Boucher is 17 and the mother of an 11-month-old daughter named Sierra.

Since Boucher left her mother's home in July 1994 because of conflicts over her pregnancy, she has received payments from the Aid to Needy Families with Children program.

Getting ANFC helped put Boucher on the right track, she said.

The benefits paid for the four or five months she lived at the Lund Home in Burlington. There she learned parenting skills and received counseling. The Lund Home staff also made sure she saw her doctor for pre-natal visits.

"If I didn't live there, I would be totally lost," she said.

Since then, she has lived with her father and again lives with her mother in Colchester.

This fall, Boucher started pursuing an undergraduate degree in business at Champlain College, with help from the ANFC program known as Reach Up.

Her ANFC benefit is about $258 a month, less than the state's average benefit because she works as much as 30 hours a week at the Price Chopper on North Avenue.

"I want to be off welfare," she said. "It's not comfortable to me because of the way people stereotype that welfare recipients are gross people."

But even with her job and her ANFC benefits, Boucher said her finances are tight. "I do run out of my ANFC money quick," she said. Boucher added that it makes it tough to buy formula, pay her mother rent and cover Sierra's unexpected needs.

	Federal	State
1994	$58,189,000	$66,356,000
1995	$85,187,807	$63,758,000
1996 Budgeted	$84,057,398	$63,410,000

Number of recipients

In 1994, about 27,400 people were ANFC recipients.

What the money pays for

The Aid to Needy Families with Children program is Vermont's most basic welfare program. That provides money for food, shelter, clothing and other living expenses. The focus of the program is to provide for children in families that cannot support themselves because of unemployment, disability, family break-up or the death of a family member.

Risk in 1996

Little risk to federal ANFC funds. The biggest risk is reduced money for programs that support Vermont's welfare reform and work programs, such as child care. Congress has said spending in those areas would be reduced from 1994 levels. That means money Vermont had built into the 1996 budget would be decreased.

Gov. Howard Dean has ordered a 6 percent cut in ANFC benefits this year.

Risk through 2002

U.S. Sen. Patrick Leahy, D-Vt., estimated a welfare reform bill adopted by the U.S. Senate in late September would cost the state $38 million in ANFC benefits over the next five years.

Congress' Republican leadership has talked about turning specific programs into smaller general payments, known as block grants, to states that would increase flexibility. Of all the possible targets, ANFC is a program that is most likely to be included in a single block grant. It would have to compete for funding among other programs such as food stamps, foster care and child care.

More information

Welfare recipients can contact their caseworkers or an advocate at a local community action program. Other members of the public can contact the state Social Welfare Department at 241-2800.

Federal budget-cutters targeted the housing projects when they realized those subsidies can be double the amount paid to people in the voucher program.

"HUD can't afford the program anymore," said Amy Rainone, who handles housing issues for U.S. Sen. Patrick Leahy, D-Vt. "The costs of that program are ballooning."

But the potential cuts could dramatically affect Vermont projects. Hunt gave some examples but did not identify the projects so he would not worry tenants before a congressional decision was made.

One 19-unit project for the elderly in a small, rural town would lose $66,624, or 46 percent of its operating expenses. A family project in central Vermont would lose $22,116, or 25 percent of its current income.

Rainone said she was unsure what Congress would decide.

Both the House and Senate have passed the budget bill that affects the Housing and Urban Development department. But the bills have not gone to a House-Senate negotiating committee because of a threatened veto from President Clinton.

Hunt said he was optimistic Congress would not change Section 8 so it forced low- to moderate-income tenants out of affordable housing or caused projects to default on loans.

"The likelihood of them rolling back the rents significantly just isn't going to happen," he said.

But, Hunt concluded, "there is going to be some pain to endure for all of us."

Needy get grant for housing

Funds will let 112 live independently

By NANCY KESLER
Dover Bureau chief

DOVER — More low-income elderly and disabled Delawareans will be able to live independently, thanks to a $7.49 million federal grant that five Delaware nonprofit agencies will use to build and buy rental housing.

A symbolic check was presented by the U.S. Department of Housing and Urban Development Thursday at Dover's Luther Towers, which provides low-income elderly housing.

Even though housing officials were pleased with the money, which will provide housing for 112 people, it won't go far considering the need.

News Journal 10/13/95 B-1

"All adults want to continue to live independent lives as long as we can."

Karen Miller

Susan Frank, director of the Delaware State Housing Authority, estimates this type of housing is needed by 2,500 elderly, more than 300 mentally retarded and 1,600 mentally ill people.

Federal officials at the ceremony encouraged people to support such grants, which have been proposed by congressional Republicans for significant budget cuts.

If the federal housing budget is significantly cut, Frank said, "even more people will be waiting [for help]."

"All adults want to continue to live independent lives as long as we can," said Karen Miller, the HUD secretary's representative for the mid-Atlantic area.

Millie Cooper, 78, who has lived at Luther Towers for six years, said her apartment complex "is a most wonderful thing." Without it, she said, "people would live alone."

Representatives of the nonprofit agencies said financing housing that provides some services for the elderly and disabled is the most cost-effective way to care for some people.

The alternative, in some cases, is expensive institutionalization. Delaware has a $278 million Medicaid program, with the state and federal government each paying half. About one-third of all funds go for nursing home care.

The grant recipients who will providing alternatives are:

- Luther Towers, Dover: $2.86 million to build a three-story, 44-unit apartment house for the elderly. Construction could be completed within 18 months.
- Better Homes, Seaford: $1.76 million to build 28 apartment units on Virginia Avenue, with construction completed about April 1997.
- Alliance for the Mentally Ill in Delaware: $1.5 million to buy six homes for 20 chronically ill adults in Wilmington and northern suburban New Castle County, to be ready within a year.
- Association for the Rights of Citizens with Mental Retardation: $1.1 million to buy four homes in suburban northern New Castle County to serve 17 people within 18 months.
- Salvation Army: $249,600 for the purchase of three homes for the mentally retarded in Milton.

VERMONT

Cutbacks in federal tax credit could hurt low-income housing

By Matt Sutkoski
Free Press Staff Writer

SOUTH BURLINGTON — Cutbacks in federal tax credit might mean affordable housing projects like an apartment complex for the elderly off Dorset Street would be jeopardized, housing officials said Tuesday.

"The loss of this program as proposed by the House of Representatives would be crippling to our efforts to provide affordable housing," said Allan Hunt, executive director of the Vermont Housing Finance Agency.

The tax credit has been used to help build or renovate about 2,500 affordable apartments in Vermont since 1987, Hunt said. Few would be built in the future without the tax credit, he said.

The federal Low Income Housing Tax Credits program offers a credit against federal income taxes based on the cost of construction of or renovations to low-income housing.

The U.S. House Ways and Means Committee voted Sept. 19 to stop funding the tax credit beginning in 1997, pending a General Accounting Office study of the program.

Among the projects the tax credit has helped is The Pines, a Dorset Street apartment complex for the elderly. Construction crews are finishing the first 53 units of the complex, and the first tenants are expected to move in about Dec. 1.

At least 180 elderly people have applied to move into The Pines. Catherine Holloway, 85, of Scotia, N.Y., is moving into the complex after her daughter had struggled to find affordable housing for her. "She had been looking up here for quite a while, but she couldn't find anything," Holloway said.

Developers for The Pines say they plan to build another 72 units beginning next year, but might not be able to if the tax credits are reduced or eliminated.

Housing advocates hope the U.S. Senate will reverse the House action. Both of Vermont's senators, Republican James Jeffords and Democrat Patrick Leahy, support the tax credit.

Arkansas Democrat Gazette

ARKANSAS' NEWSPAPER LITTLE ROCK, OCTOBER 12, 1995 86 PAGES 10 SECTIONS 35¢

Arkansas Democrat-Gazette/MORRIS RICHARDSON II

Glynis Lawson sits on a bed in her son's room Tuesday in a recently renovated apartment in Little Rock. The construction was partially financed with tax credits sold to corporations. The view out of the window of her Main Street apartment will soon improve, since the building next door is being renovated into a 10 unit complex.

'Corporate welfare' puts roof over poor

BY ANDREA HARTER
Democrat-Gazette Business Writer

Glynis Lawson moved in August into a dying, overgrown residential part of Little Rock.

But her new home is an apartment at 2209 Main St., part of a shiny, remodeled "fourplex" that has arisen in this neighborhood of old, wooden homes, many of which are abandoned.

It's an apartment that wouldn't be there if not for a tax credit program that Congress might eliminate in its budget cutting.

Lawson's apartment and at least 7,500 others for low-income Arkansans exist because of a U.S. Department of Housing and Urban Development program that provides tax credits to corporate investors.

That tax credit program which entices corporations across the country to plunk down $2.2 billion a year to help build the homes, is in danger, said Vincent Tilford, president of the Arkansas Development Finance Authority. ADFA administers the program in Arkansas.

The House Ways and Means Committee on Sept. 18 voted to let the program expire in 1997. The proposal goes before the full House next week.

A similar proposal is written into a bill before Senate Finance Committee as part of tax and budget cuts. "Some people have nowhere else to go but into low income housing," Tilford said. "What will become of them?"

Lawson and her family say they were lucky to find a decent

See **HOUSING**, Page 6D

Housing

• Continued from Page 1D

two-bedroom, refurbished apartment. The rent is $360 a month. "I think it is a good deal. We live in a nice place. When you have to spend that kind of money, you want something nice," she said.

Tilford said HUD allocates $3 million in tax credits to Arkansas annually. The tax credits unfold in a complicated transaction that escalates the value of the credits.

The credit works like this. ADFA allocates the tax credits to pre-qualified contractors who have already secured bank financing. The tax credits can make up only about 30 percent of a housing project budget.

The tax credits are virtually worthless to contractors unless they sell them. A syndicator or broker may buy the credits for a price that could be up to five times the amount of the credit.

For example a contractor awarded a $100,000 tax credit can realistically sell the tax credit to a syndicator for about $500,000, according to ADFA officials. Syndicators then sell the tax credit to a corporation for the best price.

The value of the credit is that it lasts for 10 years. For instance, if the corporation buys the $100,000 tax credit, it is entitled to a $100,000 credit for 10 years — a total of a $1 million credit.

Critics call the low-income credits "corporate welfare." One of the program's biggest detractors is Rep. Bill Archer, R-Texas, chairman of the House tax-writing committee. Archer's chief complaint: Corporations are riding on the government's back to the point of excess.

Tilford conceded that the credit costs the U.S. Treasury about $3 billion a year in income, but he said the program has led to the construction of more than 100,000 housing units annually — more than 90 percent of all of the low-income housing in the United States.

In Arkansas, the tax credit has generated 15,000 temporary and permanent jobs during the past three years, Tilford said.

There are at least three projects under construction in Little Rock, paid for in part by the program. One is a 10-unit building — next door to Lawson's apartment — part of the Mahlon Martin Apartment Complex.

"I'm glad they are doing something with it. It is dark over there. You don't know who could be up in there hiding, doing drugs or whatever," Lawson said. "Everyone deserves some place safe to live."

THE BLADE

PAGES OF OPINION

Toledo, Ohio Thursday, October 12, 1995 Page 16

It works, so let's kill it!

THAT zany band of merry men and women on Capitol Hill who blindly follow the Gospel According to Newt have found yet another way to pound on the poor. The newest target they've lined up in their cross-hairs is the low-income housing tax credit.

In the name of cutting programs that Republican congressional leaders consider "corporate welfare," their scorched-earth approach is about to claim a program that builds housing for poor Americans who desperately need it, while providing a tax credit for companies willing to risk investment capital to make it happen. Every dollar in credit attracts about three dollars from the private sector.

Here is a program that builds 100,000 housing units a year for the poor, with virtually no federal bureaucracy, and it's helping Toledo dramatically

The low-income housing tax credit goes to investors, generally corporations, that provide money to nonprofit groups for construction or rehabilitation of low-income housing. It helps build 100,000 units of low-income housing a year, or more than 90 per cent of all such housing built in the nation.

It is just about the only thing Congress does for urban ghettos, and now Congress wants to change the housing credit's status from permanent to "temporary," a tactic which would probably kill the credit after 1997.

The Senate Finance Committee will consider the credit's future when the committee meets tomorrow. What's at stake? Consider what the tax credit has done for Toledo.

It has helped finance Museum Place, a $6.5 million rehabilitation of five historic buildings across Monroe Street from the art museum, thereby saving the Bartley Mansion and the Del Mar building. The project will produce 65 apartments.

It provided the incentive for most of the investment money for a 50-home development sponsored by Organized Neighbors Yielding eXcellence on old urban renewal land along Collingwood Boulevard and Belmont Avenue. And it made possible tax-credit investments for the rebirth of the old Macy's building downtown.

Here's a federal program that provides upwards of 100,000 housing units a year for poor families, which relies almost entirely on the private sector and therefore requires virtually no federal bureaucracy to run it. The Gingrich gang wants to sunset the thing into history?

Even the Republican Governors Association has written to Rep. Bill Archer, House Ways and Means Chairman and the architect of this ridiculous maneuver, urging him to back off.

The low-income housing tax credit has been a genuine success story in Washington, something Congress should be pointing to with pride rather than pulling the plug on its life-support.

Housing Credits Are in Danger

In recent action, the U.S. House of Representatives Ways and Means Committee voted to terminate the Low Income Housing Tax Credit program in 1997 in the name of eliminating "corporate welfare." The committee's action was supported by the full House a few days later.

Commentary

By Allen S. Hunt

Corporate welfare? How would the 23 or so Vermont banks and corporations who have invested nearly $40 million in affordable housing feel about having their investment labeled corporate welfare?

Through their investment, nearly 2,500 badly needed apartments have been built, renovated or preserved in Vermont since the program began in 1987. Over 1,800 apartments are affordable to Vermont households earning less than 60 percent income. It is far and away the largest remaining federally authorized program supporting the creation of affordable rental housing.

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The reality is that this program has been a very effective method of producing very affordable housing at a relatively low cost to the American taxpayer. In fact, the tax credit program was made permanent by Congress just two years ago, after a lengthy deliberation on its merits.

The problem is that it is such an efficient, non-bureaucratic program that it doesn't have lots of lobbyists spending large sums of money to keep it alive. It is a program administered by each state and can be designed to work effectively in any area of the country.

The creation of affordable housing is beneficial to all who rent, since increasing the supply of apartments helps control the spiraling rents experienced in the mid-1980s when no such program existed. Through the tax credit program, Vermont's economy is enhanced by the creation of jobs, an increase in local property taxes, improved sales of building materials, and other related activities.

This effective housing program is likely to be terminated unless the Senate refuses to go along with the House recommendations. Thankfully, Vermont is represented by two thoughtful senators who are actively working to keep this important program for Vermonters. All low- and moderate-income households who currently live in substandard apartments or pay excessive rents will be the biggest losers if this program is allowed to sunset.

Allan S. Hunt is executive director of the Vermont Housing Finance Agency in Burlington.

Rutland Region

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Don't tear down the housing credit

BY A. ROBERT KUCAB

RALEIGH

In the effort to streamline government at all levels, the federal Low-Income Housing Tax Credit Program stands out as a model. Through incentives to private investors, it has produced 730,000 affordable rental units for lower-wage, working families, including 15,800 in North Carolina — and 2,776 in Wake County.

The housing was produced by private investment, using federal assistance as a catalyst, allowing local decisions and keeping ownership and management in private hands. Bureaucracy is minimal: the program is administered by a handful of staff at the U.S. Department of Treasury and by state housing finance agencies, most of which, like North Carolina Housing Finance Agency, are self-supporting.

POINT OF VIEW

So why is the Low-Income Housing Tax Credit (LIHC) suddenly on the chopping block — at risk, not of being trimmed, but of being eliminated altogether?

That is a question for House Ways and Means Committee Chairman Bill Archer, R-Texas, who in mid-September introduced a surprise proposal to "sunset" the LIHC in 1997, a back-door way of killing it altogether.

And — thankfully — it is also a question for the Senate Finance Committee, which begins finalizing the tax provisions of its own budget bill this week. The first step in keeping the LIHC's much-needed housing production is to ensure that the Senate Finance Committee leaves the program intact in its own budget package.

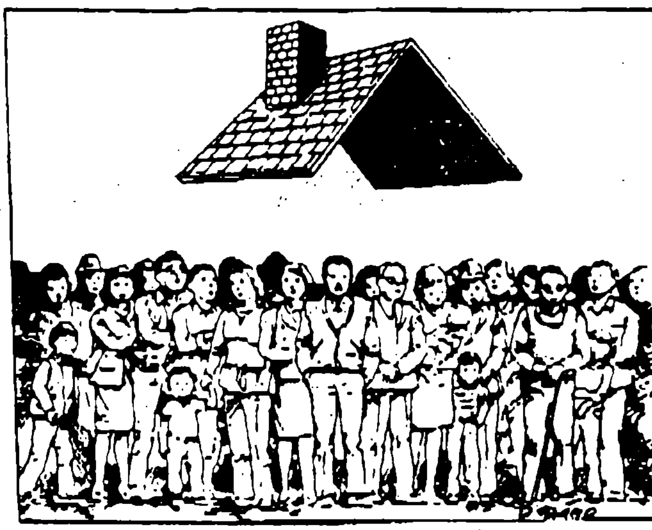
Two reasons were given by Rep. Archer for the "sunset." One (mistakenly) lumps the LIHC with "corporate welfare" provisions to be cut in the

state pay more than they can afford for rent — 30 percent or more of their gross income. That does not leave much for food, health care, child care, transportation and other necessities.

Growing communities — including Raleigh and Wake County — need affordable rental housing for young families, for low-wage workers, for disabled persons and others with special needs, and for elderly persons who require supportive services.

With the LIHC providing an incentive for private investment, Raleigh is enjoying successful low-income developments that would be hard to distinguish from market-rate housing. Two examples are Tryon Grove Apartments for families, off Tryon Road, and Murphy School Apartments for the elderly, the adaptive reuse of an historic downtown school.

Suburban communities like Cary, Wake Forest and Apex have also gained new rental housing, and as a result can offer more choice to low-income families. In Durham, the LIHC helped finance



Preiss-Steele Place, a nationally recognized apartment community that provides elderly persons with services for continued independent living.

Although Archer's Ways and Means Committee voted along straight party lines, the Low-Income Housing Tax Credit Program is not a partisan issue. The program was designed 10 years ago by the Senate Finance Committee under er.

And — thankfully — it is also a question for the Senate Finance Committee, which begins finalizing the tax provisions of its own budget bill this week. The first step in keeping the LIHC's much-needed housing production is to ensure that the Senate Finance Committee leaves the program intact in its own budget package.

Two reasons were given by Rep. Archer for the "sunset." One (mistakenly) lumps the LIHC with "corporate welfare" provisions to be cut in the House's deficit reduction package. The other argues that suspending the LIHC will allow Congress and the General Accounting Office to review scattered cases of abuse.

The LIHC is not "corporate welfare." Unlike tax deductions for depreciation or entertainment, for example, it does not give a benefit for investments that businesses make in their own interest. The LIHC provides an incentive to invest for the public good, in housing that could not otherwise be produced and rented at such low rates.

As for possible abuses, of course they should be investigated, and the program should be changed if modifications are indicated. The process of review and refinement has been almost continuous during the 10-year life to the LIHC — without requiring a suspension that, in the present budget climate, will make it all but impossible to reinstate any program after a sunset.

• • •

North Carolina needs the LIHC. Some 200,000 low-income households in our

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A. Robert Kucab is executive director of the N.C. Housing Finance Agency, a self-supporting agency created by the General Assembly. He is also chairman of the state's Housing Policy and Coordination Council.

Preiss-Steele Place, a nationally recognized apartment community that provides elderly persons with services for continued independent living.

Although Archer's Ways and Means Committee voted along straight party lines, the Low-Income Housing Tax Credit Program is not a partisan issue. The program was designed 10 years ago by the Senate Finance Committee under Sen. Bob Dole, R-Kan. After years of sunset and renewal, it was made permanent in 1993 under legislation developed by a Democrat-dominated House Ways and Means Committee. Its current and vocal supporters include the Republican Governors Association. North Carolina's congressional delegation, both Democrats and Republicans, supported "permanency" in 1993.

It would be a mistake to reverse the decision in 1995.

Permanency has made the LIHC operate more efficiently, allowing developers and investors to count on it in planning their work. It has drawn producers of high quality housing into the production of high quality affordable housing.

In the House, parliamentary rules will make it virtually impossible to remove the LIHC sunset provision when the budget bill goes to the full House for a vote. The first step to save the program is to make sure that the Senate budget has no such provision. That will open the way for the House-Senate conference committee to restore the LIHC when it irons out the differences between the two budget packages.

Every person who understands the importance of affordable housing should make sure that our North Carolina senators and representatives hear of their support for the Low-Income Housing Tax Credit Program.

Proposed Rules for Tax Credits Could Hurt Low-Income Housing

By SUSAN WARREN
Staff Reporter of THE WALL STREET JOURNAL

A proposal being considered by Congress to change the rules for low-income-housing tax credits could put a big dent in the rebound of Texas' multifamily housing market.

Apartment construction has been surging the past two years, partly spurred by developers lured into the affordable-housing sector by federal tax credits, which help finance such projects. In 1994, building activity reached its highest level since 1986, with 31,200 building permits issued, according to M/PF Research Inc. in Dallas. Tax-credit projects accounted for over a third of that total, with 11,200 units.

But Congress is now considering "sunsetting" the tax credits—that is, putting them up for periodic review. If this happens, say housing analysts, few low-income projects will be built: The uncertainty over the future of the program will keep developers away.

Nor will builders be able to make up the difference by erecting more upscale apartments in a market that is rapidly becoming overbuilt, says Pat O'Connor, president of O'Connor & Associates in Houston, which studies the apartment market. Mr. O'Connor estimates 90% of current low-income projects wouldn't have gotten built without tax credits, which builders are able to sell to investors to raise equity to help finance their projects.

"There definitely will be a decrease in the level of new construction activity if the program is sunsetted," he says.

Developers' Stampede

Apartment developers stampeded into the low-income market after Congress voted to make the tax-credit program a permanent feature in 1993. Before that, the tax-credit program was reviewed on a year-to-year basis. Fewer developers wanted to go through the trouble and expense of putting together an application and starting a project, and risk having the credits canceled by Congress.

Once the tax credits became permanent, the Texas Department of Housing and Community Affairs, which distributes the federal credits, was swamped with applications for credits to build projects.

In 1993, for the first time, all of the available credits were allocated. Applications increased by 36% in 1994: There were more applicants than available credits. Overall, Texas has built more low-income apartments with the tax credits—91,222 since 1987—than any other state.

Vulnerable to Misuse?

Last month, Rep. Bill Archer, a Republican from Houston and chairman of the House Ways and Means Committee, proposed sunsetting the law as of Jan. 1, 1998. A spokesman for Mr. Archer says the congressman is concerned the credits would be vulnerable to misuse if not periodically reviewed. The proposal has been approved by the Ways and Means Committee, and will be considered by the Senate.

In the current budget-cutting environment, say affordable-housing advocates, sunsetting the law would be tantamount to repealing it: They see little hope that the credits will be renewed after 1997. And many developers would probably be scared away if the proposal passes, predicts John Henneberger, co-director of the Low-Income Housing Information Services in Austin.

Winston Sullivan, president of Sullivan Builders Inc. in Linden, which operates tax-credit apartments for the elderly poor, says the debate over the tax credits puts everything in limbo. "The thing that kills developers is not knowing what's going to happen next," he says. "You don't know what to hang your hat on."

TULSA WORLD

91st Year – No. 21 • Tulsa, Oklahoma, Wednesday, October 4, 1995 • Entire Contents © 1995 World Publishing Company

Lawmaker Backs Effort For Housing Program

By Wesley Brown
World Staff Writer

A Tulsa state representative said tax-credit apartment developments he saw in Yakima, Wash., made him believe that Tulsa can create a low-income housing program that works for everyone.

State Rep. Chris Hastings, R-Tulsa, spent the weekend visiting several apartment complexes, funded with the federal tax credits, and built by Neil Treitman, president of Community Development Services.

Hastings said he came away impressed. The apartments are similar to plans for Woodland Manor Apartments, a 240-unit complex Treitman wants to build at 8600 E. 61st St. for low-income people over age 55.

Treitman spent most of last week in Tulsa visiting with citizens, business people, and city officials, seeking support.

"I am real pleased about going up there," Hastings said. "We definitely (now) agree with Treitman that you can treat non-market rate apartments differently than market rate."

Under the terms of his proposal to build the Tulsa apartments, Treitman will set aside most of them for low-income people, and rents will be kept lower than the average market rate in Tulsa.

If his proposal is accepted by the Oklahoma Housing Finance Agency, Treitman is to receive $1.07 million in federal tax credits each year for 10 years, if the property continues to meet state requirements.

"His development is something that without question is a benefit to the surrounding area, the community, and the tenants," Hastings said of the Washington apartments. "I think this can be kind of a road map for the city (of Tulsa) to follow."

Hastings also said, "The critical thing is that I see man who is concerned about Tulsa's future and is willing to work with us. This is not going to be a 61st and Peoria."

Hastings and Gov. Frank Keating have pointed to that area of south Tulsa as an example of poorly planned and maintained low-income housing.

Hastings had been critical this summer of absentee out-of-state developers.

Hastings said he met with more than 50 residents of Treitman's apartments, the city manager of Yakima, and people in the community.

"I was really impressed with the quality of the communities. I visited one complex that was five years old, and it look like it was (brand-new)," Hastings said of a development for senior citizens. "A complex like this in our community will help low-income elderly people live out the rest of their lives in dignity."

The Oklahoma Housing Finance Agency is scheduled to meet Thursday in Oklahoma City to decide which developers will receive the $3 million in tax credit available for 1995.

Although state housing officials haven't released any information yet, several sources said Treitman's application will be one of the winners.

In August, Hastings and two Tulsa lawyers wrote a plan that they hoped would settle a controversy over several low-income apartment complexes proposed for south Tulsa, and to be funded with tax credits.

The finance agency's rules allow cities to write ordinances that give them more flexibility in deciding where to locate tax-credit developments.

Hastings wanted a city ordinance that would have required

See Housing on News 10

Continued from N[illegible]

developers to [illegible] safety and security equipment, conform to city zoning and planning laws, follow certain long-term maintenance rules, and not cause harm to the "public good, morals, welfare or safety" of the community.

Quietly, some city and planning officials have expressed concerns that some sections of Hastings' plan would have violated federal fair housing laws.

Region

OASIS

PAGE 4B

FLORENCE COMPLEX

Applegate Apartments

Low-income housing never looked so good

By Sherhonda Allen
Staff Writer

FLORENCE — The apartment complex sits in its own valley of sorts, near a hill or two, surrounded by thickets of trees on a rolling landscape.

Chairs and potted flowers provide splashes of color against the lighter tones of brick and white columns of each unit's porch. The green lawns are immaculate, flowerbeds surround several units, and the busy traffic on Helton Drive is too far away to interfere with the constant chirping of birds that sound just as happy to live near the complex as the residents are to live within its walls.

Welcome to Applegate Apartments, a low-income housing complex.

The development may come as a surprise to visitors not expecting low-income housing to look like other, modest apartment complexes. Some day soon, it may also stand as an example to other communities of what might have been.

The low-income housing tax credit program that made Applegate possible is in jeopardy of becoming a casualty of federal budget cuts. Those funds have been targeted by Republican congressmen and is now under intensive review in congressional committees.

Applegate, which caters to residents age 62 and over, was developed by a private company, Applegate Apartments LTD., a partnership headed by Allan Rappuhn of Florence. The complex is now managed by Rappuhn's company, American Investment Management Inc.

There are other examples of low-income properties in the Shoals that were created by the low-income housing tax credit program.

Deborah Massey, with Irby Construction Co., said her company has developed and manages low-income apartments in Elgin, Killen, Hamilton, Red Bay, Phil Campbell and Russellville.

Suddenly, those developments, and others on the drawing board, are in jeopardy.

"I don't know what I would have done had (Applegate) not been available," said Peggy Oliver, who has lived at the complex since December 1994. "It's so great that we are able to have a place like this, so every penny we have doesn't go for rent."

Applegate's resident manager, Gertrude Butler, says Oliver is typical of many of the residents who found that maintaining large houses got more demanding as they got older.

Oliver said she didn't relish the possibility of living with relatives or moving to a different-type

HOUSING *continued on 2B*

JIM HANNON/Staff

Applegate Apartments is a low-income housing complex in Florence.

Housing concept could fall victim of budget cuts

By Sherhonda Allen
Staff Writer

The concept was created by the Tax Reform Act of 1986, and was born from the belief that corporate America should get involved in helping provide for citizens who cannot fully provide for themselves.

Low-income housing tax credit ultimately became the solution.

The philosophy provides property developers incentives for providing quality living facilities for low-income residents. In short, developers can receive tax breaks for building or renovating complexes and allowing needy residents to live there for low monthly rates.

It's a concept that has served both parties well, according to residents and company officials of Shoals-area facilities.

However, the concept is facing an uphill battle among congressional leaders who are in a budget-cutting frenzy. In fact, the concept is rumored to be on the way out.

Robert Strickland, executive director of the Alabama Housing Finance Authority in Montgomery which administers the program, said the tax credits are the only incentive Congress allows those interested in investing in low-income family housing.

"It's actually an IRS-type program where each state has an entity to delegate the amount of credits for each development," Strickland said. "There are really no other programs that are designed to help low- to modest-income

CREDIT *continued on 2B*

HOUSING *continued from 1B*

Low-income housing never looked so good

housing project.

"I'm the kind of person who can't accept charity," Oliver said. "But my apartment here is so beautiful. It's all on the first floor level, too."

Companies like Irby Construction and Applegate LTD help the low-income families while also helping themselves. Their payoff comes through tax credits.

Developers earn credits by building or renovating apartments for people in a poor-to-modest income bracket. The credits are granted in annual allotments over a 10-year credit period. The limited partners can use the credits as income tax breaks. Every dollar earned in credits is worth a dollar off their income taxes.

Supporters call it a win-win situation, especially for the people in need who receive a quality place to live.

Applegate has 36 units available to elderly people who don't need special assistance in caring for themselves. Social Security is the only source of income for Applegate's residents, yet they still find the $223 monthly rent for one-bedroom apartments and $286 a month for two-bedroom apartments affordable.

Rappuhn said there is little federal bureaucracy involved in the program.

"The state administers the program in a timely fashion," Rappuhn said. "All things considered, the project (at Applegate) moved fairly quickly from beginning to end."

Rappuhn said he applied for the credits in the spring of 1993, received approval a short time later and began construction in March 1994. The units were completed eight months later and have now achieved full occupancy.

The tax credits offered as an incentive to potential investors were a key factor in raising the capital needed to fund the developments, Massey said. She said Irby is looking to renovate existing properties in the future — projects that may never come to fruition if Congress kills the tax credits.

"I've watched so many kids grow up in them," Massey said. "These are beautiful properties that are available to people who may not have been able to afford them otherwise. The kids can take pride in where they live. You can see it in their attitudes."

Massey said Irby's developments presently serve 176 families. Many of those families are headed by women who are forced to shoulder the responsibility of raising their children alone, with no help from ex-husbands who have not provided child support, Massey said.

"It's scary to think what would happen to some of these families if the program is cut," Massey said.

She said families must meet income criteria to be eligible and must undergo periodic inspections to make sure the property is being maintained.

She said the properties are so attractive "people are begging to live there, but they make too much money."

Irby finds low-income families through its own advertising efforts and by soliciting the help of the Community Action Agency and local housing authorities.

"A lot of times these agencies have leads on people looking for homes," Massey said. "And sometimes the people have heard about the apartments and come to us on their own."

Massey said in addition to providing attractive, low-income housing, the program provides revenue to the community.

"When you're developing the property, you're putting people to work," Massey said. "Also, we pay huge sums in property taxes. So, (the developments) are providing other assistance to the area."

Massey said, for example, just one of Irby's properties generates $8,000 in property taxes.

CREDIT *continued from 1B*

Cuts could hurt concept

families afford these type units. There's a big demand for it."

More than $37.5 million in credits have been used to build or refurbish rental units for nearly 16,500 families in the state since 1987, Strickland said.

Current projections show that if the tax credit program is eliminated, Alabama stands to lose nearly 11,000 apartments for lower-income residents — as well as $26 million in funding and $148 million in equity investment — within the next four years.

Strickland said the tax credits are a cost-effective subsidy that has created 90 percent of the nation's low-cost housing in recent years. On a national scale, the program produces 120,000 new apartments for poor families every year, Strickland said.

Program supporters are trying to save the tax credits through a bill called the Low-Income Housing Preservation Act of 1995. The bill was introduced in the Senate on Feb. 3 by Sen. John b. Breaux, D-La.

The bill, if passed, would continue to offer tax credit incentives to investors of new developments and to investors of existing developments that need funds to maintain the developments.

"The tenants will benefit as the existing owners are replaced with new owners with new capital and a new willingness to preserve and improve the projects," Breaux said.

There has not been any action on the bill since February, when it was referred to the Senate Committee on Finance.

Aides for Sens. Howell Heflin and Richard Shelby, both from Alabama, said they did not know where senators stand on the proposal.

"Right now, it's simply a bill that has had no action since February," said Heflin press aide Tom McMahon. "It could be offered in the (federal budget's) reconciliation bill, but it has not been offered in the Senate yet."

Commentary

EDITORIALS

Panel Wields Wild Ax At Housing Tax Credit

Under the guise of cutting corporate welfare, Congress is threatening to kill a program that is anything but.

The Low-Income Housing Tax Credit would be rescinded at the end of 1997 under a plan already approved by the House Ways and Means Committee. It isn't clear which way the Senate will vote.

The tax credit, first approved in 1986, has helped create nearly 800,000 rental units for more than 2.4 million poor people nationwide; the construction created 90,000 jobs. In 1994, the credit helped create 4,158 affordable housing units in Illinois alone.

Advocates for the poor and home builders alike agree: Without the tax credit, most low-income housing would not be built. Developers simply could not afford to build housing and rent it at a price poor people could pay. Yet the need is greater than ever. For every low-income housing unit built under the program, another unit is lost to gentrification, disrepair or some other affliction.

Congress is rewriting our social policy. Entitlements are becoming block grants. Government work is being privatized. Accountability is king.

For all those reasons, the Low-Income Housing Tax Credit should be saved. It is a flexible block grant program that encourages private sector involvement, punishes those who don't perform and doesn't cost taxpayers a penny until there are results.

In short, the program is everything Congress says it wants, and it's everything taxpayers are willing to support.

The Pawtucket Times -- Sept. 30, 1995

Federal tax credits program has changed lives, restored housing

Guest Commentary

By Richard H. Godfrey Jr.

Lisa Daignault is working her way through college the hard way. A divorced mother, she's doing it on her own while bringing up five kids. The last place she lived had railroad tracks running through the backyard. The bathtub was in her bedroom and the toilet sat in a closet. That was the best she could do with five kids and tuition bills. Well, not any more. Earlier this year they moved into an apartment we financed in Lincoln. The rent is low, so Lisa and the kids can squeak by. Best of all, she says, the apartment is handicapped accessible, making life easier for her developmentally disabled son Adam.

Rhode Island Housing is able to finance low-cost apartments like Lisa's because of a federal program that encourages private corporations to invest in affordable housing. Here's how the Low Income Housing Tax Credit Program works. Rhode Island annually receives $1.2 million in tax credits, which we then allocate to developers of affordable housing. They then sell the tax credits to private investors, usually corporations, like Citizens, Fleet, CVS and Pawtucket's own Hasbro. Since 1988 the sale of Low Income Housing Tax Credits has raised $41 million here in Rhode Island. Developers have used that equity to attract an additional $117 million in other financing. That's nearly $160 million in construction and other economic activity. Now tax credits are under attack in Washington. Last week the House Ways and Means Committee voted to kill the program. That would be too bad, because the program does a lot of good.

Over the past few weeks your newspaper has reported on the renaissance that is occurring in Central Falls with the Centennial Houses and Cogswell Homes projects. Last year *The Times* told readers about the renovation of the former Sacred Heart School and Convent in Pawtucket and the apartments in Lincoln where the Daignault family lives. In the case of those projects, developers used $4.5 million from the sale of tax credits to raise an additional $10.3 million in financing. That's $14.8 million flowing into Central Falls, Lincoln and Pawtucket.

The program invigorates our economy, bolsters local tax rolls and creates much needed housing. In an average year, tax credits finance the construction of 240 apartments creating 260 jobs generating $5 million in real estate, sales and payroll taxes. The Lincoln development appropriately is called Project Renew, for it involved the complete rehabilitation of six rundown tenement buildings. The renovations included new windows, kitchens, baths, flooring and heating and electrical systems. Our financing also bailed out Rhode Island taxpayers by recycling property held by DEPCO. Lastly, it gave new hope to Lisa Daignault and the 33 other families that call Project Renew home.

Next year Lisa will graduate from the Community College of Rhode Island with a degree in accounting. Like most of our tenants, she only needs a helping hand. The average stay in one of these apartments is just two years. By then residents have found a new job, recovered from illness or, like Lisa, earned a degree and are ready to move on. If the Low Income Housing Tax Credit Program dies, our efforts to help people like Lisa and cities like Central Falls will, too. But there is hope.

The program's last best chance lays with one of our own. Rhode Island's John Chafee is a senior member of the Senate Finance Committee, which has jurisdiction over tax credits. A vote on the future of the program is expected next week. Local groups like REACH and the Blackstone Valley Community Action Program know Senator Chafee as a long-time friend of housing. That's why they're spending a lot of their time giving Chafee the information he needs to protect tax credits. Even Lisa wrote Washington. She said she had to for all the other Lisa Daignaults who haven't found their way home yet.

(Richard H. Godfrey Jr. is executive director of the Rhode Island Housing and Mortgage Finance Corportion.)

The Woonsocket Call -- Sept. 30, 1995

Support low-income housing tax credit

By Richard Godfrey

Lisa Daignault is working her way through college the hard way. A divorced mother, she's doing it on her own while bringing up five kids. The last place she lived had railroad tracks running through the back yard. The bathtub was in her bedroom and the toilet sat in a closet. That was the best she could do with five kids and tuition bills. Well, not anymore. Earlier this year they moved into an apartment we financed in Lincoln. The rent is low, so Lisa and the kids can squeak by. Best of all, she says, the apartment is handicapped accessible, making life easier for her developmentally disabled son Adam.

The Rhode Island Housing and Mortgage Finance Corp. (RIHMFC) is able to finance low-cost apartments like Lisa's because of a federal program that encourages private corporations to invest in affordable housing. Here's how the Low Income Housing Tax Credit program works. Rhode Island annually receives $1.2 million in tax credits, which we then allocate to developers of affordable housing. They then sell the tax credits to private investors, usually corporations like Citizens, Fleet, Hasbro and Woonsocket's own CVS. Since 1988 the sale of Low Income Housing Tax Credits has raised $41 million here in Rhode Island. Developers have used that equity to attract an additional $117 million in other financing. That's nearly $160 million in construction and other economic activity. Now tax credits are under attack in Washington, D.C. Last week the House Ways and Means Committee voted to kill the program. That would be too bad, because the program does a lot of good.

The Call has been reporting on the renaissance that is occurring on Constitution Hill. In May, *The Call* wrote about the renovation of the Hanora-Lippitt Mill Apartments. Last fall the paper told readers about the apartments in Lincoln where the Daignault family lives. In the case of those three projects, developers used $3.4 million from the sale of tax credits to raise an additional $7.9 million in financing. That's $11.3 million flowing into Lincoln and Woonsocket.

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The program's last best chance lays with one of our own. Rhode Island's John Chafee is a senior member of the Senate Finance Committee, which has jurisdiction over tax credits. A vote on the future of the program is expected next week. Local groups like the Woonsocket Neighborhood Development Corp. and the Blackstone Valley Community Action Program know Sen. Chafee as a longtime friend of housing. That's why they're spending a lot of their time giving Chafee the information he needs to protect tax credits. Even Lisa wrote Washington. She said she had to for all the other Lisa Daignaults who haven't found their way home yet.

Richard Godfrey is executive director of the Rhode Island Housing and Mortgage Finance Corp.

South Bend Tribune

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Save low-income housing tax credit

The proposal being pushed in Congress to eliminate the Federal Low Income Housing Tax Credit at the end of 1997 as part of the budget-balancing effort is short-sighted and foolish.

Since its creation by President Reagan in 1986, the low income tax credit has been instrumental in the creation of hundreds of thousands of low-income housing units, most of which blend seamlessly into their communities without creating public housing ghettoes.

The high-rise public housing units of the past, like Chicago's Cabrini-Green, became urban nightmares and blueprints of what not to do when it comes to public housing.

The low income housing tax credit program allows private business to purchase federal tax credits at favorable prices. The money paid for the credits can then be used by private developers for housing projects, of which a percentage of the units must be allocated for low-income tenants.

Several hundred low income housing units have been constructed in South Bend as a result of the tax credit program. Two recent apartment complexes in South Bend, the Central High Apartments and the Stephenson Mill apartment project, both include low income units that look just like the other, full-price units. The days when public housing had to look different from private housing are over, or at least they have been.

Support for retaining the credit has been bipartisan. Michigan Gov. John Engler, representing his own state as well as the Republican Governors Association, has implored Speaker of the House Newt Gingrich not to let the tax credit law expire. Indiana Lt. Gov. Frank O'Bannon, who serves as chairman of the Indiana Housing Finance Authority, has also been a strong supporter of the tax credit. "This (allowing the tax credit law to expire) is a wrong idea at the wrong time," said O'Bannon.

In one of two letters he sent to Gingrich, Engler noted that Michigan has made great strides in reforming welfare, adding that the tax credit has been an important part of a statewide strategy to help low income families afford decent housing. Engler estimated that the credit is responsible for creating 22,000 new rental units in Michigan since 1986 and anticipated that it will generate new units at the rate of 4,000 a year if the credit is retained.

Criticism likening the tax credit to "corporate welfare" is nonsense. While the credit uses tax cuts as an incentive for investment, it does not subsidize businesses for expenditures they would make even if there were no tax credit.

Ira Peppercorn, executive director of the Indiana Housing Finance Authority, met recently with public officials from around the state who were attending the Indiana Association of Cities and Towns meeting, which was held in South Bend.

Peppercorn believes that public housing projects of the past didn't work because they alienated and "ghetto-ized" those who lived in them. He's right.

The Federal Low Income Tax Credit program has worked well and can work well in the future if Congress looks before it leaps into another round of budget-cutting rhetoric. Saving where savings can be made without undermining valuable programs that work — a rare federal commodity — makes sense. Slashing blindly in the dark does not.

Providence BUSINESS NEWS

Sept. 25, 1995

Low income tax credits may be victim of budget cuts

By **Brett Davey**
Staff Writer

It looked like any other groundbreaking ceremony: a gathering of neighbors, non-profit coalitions, bankers and politicians. There were speeches given, photographs taken, and plaques handed out.

They were all there under a tent in the Constitution Hill neighborhood in Woonsocket to applaud the beginning of construction on a $4.5 million housing development. The enthusiasm of the group was tempered, however, by concern for a tax credit program which helped finance the project.

"Very disconcerting news," U.S. Rep. Jack Reed said to Richard Godfrey, executive director of Rhode Island Housing Mortgage and Finance Corp., before the ceremony started.

Reed was referring to the threatened Low Income Housing Tax Credit program, which has helped finance construction or rehabilitation of almost 2,500 units of affordable housing in Rhode Island. The program, created by the Tax Reform Act of 1986, reduces the tax liability for corporations that invest in low-income housing projects.

Rep. Bill Archer (R-Texas), chairman of the House Ways and Means Committee, has the tax credit program in the sights of his budget cutting ax. Archer included a repeal of the program in budget reconciliation legislation that was scheduled to be debated in Congress last week. A vote could come as early as this week.

"This could definitely threaten further projects," said Godfrey. "When the chairman of the Ways and Means Committee is the one talking about it, the threat is very real."

"We need to do more of this, not less," said Reed.

Archer views the tax credit as corporate welfare, said Rep. Patrick Kennedy, who pointed out that two-thirds of the Republicans in the House supported the program when it was given permanent status by Congress in 1993.

"They're looking at it as corporate welfare, but I don't think that is what most people would say," Kennedy said. "When one sees the tangible results the program yields, it's hard to paint it as part of the problem with the tax code."

'When the chairman of The Ways and Means Committe is the one talking about it, the threat is very real.'
-Richard Godfrey

Since the program was created, Rhode Island has received $8.3 million in tax credits which have raised $41 million in equity investment, which leveraged $117.5 million in total investment.

Barbara Fields is state director of Local Initiatives Support Corp. (LISC). The organization's National Equity Fund (NEF) uses the Low Income Housing Tax Credit program to garner corporate support for affordable housing. Fields said it will be difficult to replace the funds that come from the low-income tax credits and the incentive the program gives to corporations.

"The low-income housing tax credit is the major vehicle used to get private industry involved in housing for low-to-moderate income people," Fields said. "It's the way we've gotten them to invest in Rhode Island."

Fields said that money can also be used to leverage further capital for such projects.

Denise Altay, NEF national underwriting manager, said since 1986 when the legislation was introduced, more than 700,000 units of affordable housing have been built with financing from the tax credit.

"These credits are like gold," she said. "Corporations make a good return on them. If they didn't, they'd go somewhere else."

The threat to the program, said Altay, is "very real, given the current political climate and need to balance the budget. It wasn't a move that was expected by anyone."

THE ATLANTA CONSTITUTION

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Tax break for do-gooders

Can it be that House Ways and Means Chairman Bill Archer (R-Texas) is trying to portray himself as a foe of federal handouts to business? That's as much of a stretch as Sylvester Stallone doing King Lear.

Archer, an unabashed champion of the well-off, undoubtedly recognizes the political danger in gutting programs for the needy without requiring a wee sacrifice by the affluent. In any event, last month he made a solemn oath, hallelujah, to whack away at corporate welfare.

Oh, he deprived some Hollywood studios and chicken ranchers of their tax breaks. But he also stuck it to a group that didn't deserve this fate — developers and investors who build or rehabilitate housing for low-income renters.

This is no minor matter. Archer would dismantle a program that creates 100,000 affordable dwellings each year, a construction pace that barely keeps up with housing stock lost to demolition, decay and natural disaster. That's 90 percent of all new low-income housing in the United States.

Atlanta participation in the program is gaining momentum. More than 300 low-income rental units have been built here in the past four years under its auspices.

So why kill this tax credit, the heart of the program? The fact is, there is no explanation that makes sense. The program costs the U.S. Treasury $3.5 billion per year in tax credits that developers, lending institutions and nonprofit consortiums use to leverage additional private funds for low-cost housing. It is widely recognized to be the most cost-effective of the federal government's housing schemes. It is credited with creating 90,000 jobs per year, generating $2.8 billion in wages and $1.3 billion in tax revenue.

Special

O'Hern House in Atlanta was transformed from a factory into apartments, thanks to the low-income housing tax credit.

Not all tax breaks stimulate economic activity *and* serve an immensely useful social purpose; this one does. It is do-goodism with an absolute minimum of bureaucracy and a maximum of private initiative, local control and financial safeguards.

A coterie of conservative Republican governors of urbanized states implored Archer not to kill the program. George Pataki of New York said it was a model for federal-state relationships. John Engler said it accounts for four-fifths of apartments built in Michigan. Jim Edgar of Illinois said it was built on a foundation of core Republican principles. All to no avail.

It is up to the Senate, once again, to clean up a mess perpetrated in the House. A budget reconciliation bill slated for Senate action contains a provision similar to the Ways and Means' elimination of the low-income housing tax credit. The provision must be defeated and then removed in the Senate-House conference.

Direct federal funding to build low-income housing already has been cut drastically, and now this private approach is gravely threatened. Does Archer honestly think volunteer groups with limited resources — such as Habitat for Humanity, which built 4,900 houses nationally last year — can fill the enormous void he intends to create?

THE INDIANAPOLIS STAR

A10 • THE INDIANAPOLIS STAR • SATURDAY, SEPTEMBER 23, 1995

OPINION/COMMENTARY

Tax credits don't need fixing

JAMES PATTERSON

A small breath of life filled small town Indiana Friday, and in essence small town America.

In Perrysville, a shrinking hamlet of 243 people in Vermillion County, ground was broken on a project which when completed will help revive a small piece of deflating rural America, and save a bit of dignity along with it. Constructors will begin converting a former grade school into 25 low income, one-bedroom apartments for the elderly.

By selling Low Income Housing Tax Credits to private, (mainly corporate) investors mixed with other private and public funding sources, qualified seniors will be able to rent one of the apartments for only $239 per month. The rules say apartments developed with tax credits must go to those whose incomes are 60 percent of the area median or less.

Unfortunately, Low Income Housing Tax Credits and the $3.5 billion in annual tax revenue the federal government sacrifices for them may be eliminated. As part of a bill, aimed at raising $38 billion, Rep. Bill Archer, R-Texas, has offered housing credits for the chopping block.

100,000 jobs created

The House Ways and Means Committee, which Archer chairs, adopted the bill this week by a 21-15 party-line vote. In the politically expedient name of cutting "corporate welfare" Archer would cut a very efficient program of high private investment that has helped create more than three-quarters of a million low-income apartments in nine years.

Since it was signed into law by President Reagan in 1986, housing tax credits have been a boon for builders. The program has produced almost half of all rental housing and virtually all low-income housing built in the last decade. Moreover, it generates nearly 100,000 jobs and $3.1 billion in construction wages annually.

In Indiana alone, where the program is administered by the Indiana Housing Finance Authority, the credits have been used to build more than 15,000 apartments for Hoosiers and attracted $201,320,000 in tax credit equity investment.

Beside the fact that Congress, including two-thirds of Republican legislators, voted to make Low Income Housing Tax Credits permanent just three years ago, Archer and cohorts would be wise to heed the growing groundswell against cutting the credits — much from within the GOP.

"Although corporations are significant investors in the tax credits . . ., the LIHTC is not 'corporate welfare,' " the Republican Governor's Association wrote House Speaker Newt Gingrich. "Corporations are the principal investors because the General Limitations on Credits in the 1986 Tax Act has effectively knocked individual investors out of the Tax Credit market . . . "

Wrong for Indiana

Rep. Rick Lazio, R-N.Y., chairman of the Subcommittee on Housing and Community Opportunity wrote Archer. "The program, in fact, is a great example of incentives — [illegible] work." It's "an irreplaceable step for families leaving public and federally-assisted housing to self-sufficiency and home ownership."

The New York Times editorialized Thursday: "The Republican leadership has found a new way to pummel the poor: Cut programs that benefit them in the name of eliminating 'corporate welfare.' "

"This is a wrong idea at the wrong time," stated Lt. Gov. Frank O'Bannon, chairman of IHFA. "The tax credit program has been positive for our state. We *cannot* balance the budget on the backs of those Americans who are children, poor, or elderly. This is wrong for Indiana and wrong for America."

"We can provide housing to seniors in the area without tax credits," says L. Michael Booe, housing and development director for Community Action covering a six-county area including Perrysville, "but not *affordable* housing." A chorus of Amens echo all the way from Vermillion County.

Patterson is an editorial writer for The Star.

The Hartford Courant

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EDITORIALS

Housing credits

The House Ways and Means Committee began voting this week on proposals to cut what's sometimes called corporate welfare in the tax code.

On the list: the Low Income Housing Tax Credit, which last year helped produce 1,000 new or renovated housing units in Connecticut.

Many corporate tax credits should indeed be targets for economizing. But this is one credit that budget-cutters have gotten in their cross hairs erroneously.

As its name implies, the program gives companies a tax break for investing in low-income housing. Congress had approved the break annually since 1986. In 1993, the cut was made a permanent part of the tax code. Businesses began planning on housing investments: Corporate participation soared to $6.5 million in Connecticut alone.

Hartford Democrat Barbara B. Kennelly and New Britain Republican Nancy L. Johnson are both on the Ways and Means Committee. They ought to team up to be sure this incentive for public-spirited investment remains a permanent part of the tax law.

BOB RINGHAM, SUN-TIMES

Gov. Edgar shakes hands with electrician Andy Adams Wednesday at the Maple Pointe construction site, 150 W. Maple.

Construction Starts On Homes for Elderly

But Congress Threatens Program

BY GILBERT JIMENEZ
STAFF WRITER

Ground was broken Wednesday for the largest low-income housing tax credit project ever funded by the Illinois Housing Development Authority—a 342-unit senior citizens apartment building on the Near North Side.

But as Gov. Edgar and project officials shoveled gravel to symbolize the start of construction, Congress was considering a proposal to kill the state-managed block grant program.

The irony was not lost on Edgar, and the private-sector and community officials gathered to kick off the Maple Pointe senior citizen residential tower at 150 W. Maple Street between LaSalle and Wells.

Republicans on the House Ways and Means Committee blocked a series of Democratic amendments Tuesday and voted 21-15 to pass a measure than includes a tax-credit sunset provision.

"This [$34 million] is the largest appropriation the IHDA has ever given to one project," Edgar said. "These types of projects will be extremely difficult in the future" if Congress votes to end the program in 1997.

Maple Pointe will be a 20-story apartment and parking complex for senior citizens whose incomes are too high for low-income rent subsidies and too low for private care. For most units, a family of two earning $24,600 a year or less would qualify. Seven units are available to lower-income tenants.

The average monthly rent for a one-bedroom apartment will be $550, said the Rev. Bruce P. Otto, president of the LaSalle Street Housing Foundation, a partner in the project, and executive pastor of the LaSalle Street Church.

Completion is scheduled for next summer.

The church and its foundation, which also developed 309 units of affordable housing at the nearby Atrium Village, have been working ~~on the senior apartment plan for~~ 17 years, Otto said.

Chicago Tribune, 9-20-95

Clarence Page

Congress turns a blind eye to nation's needy

WASHINGTON—Washington's war on the poor and powerless proceeded apace.

Is that too harsh? You be the judge.

Take a look at some of the programs Congress has put on the chopping block while most of the nation's attention has been diverted by debates over Medicare, bilingual education, immigration, school prayer and flag burning.

Take a look at three of the popular programs conservative Republicans have targeted for elimination: the Earned Income Tax Credit, the Low Income Housing Tax Credit and the Community Relations Service in the civil rights division of the Justice Department.

Few Americans walk around with the words "Earned Income Tax Credit" on the tips of their tongues, yet about 35 percent of all Americans benefit from this tax break because of low income.

Enacted in 1975, it provides a tax credit of 7 to 40 cents on every dollar earned for those who have an income low enough to qualify.

Designed to give incentives for adults with children to work instead of relying on welfare, both liberals and supply-side conservatives like it. A Republican president, Gerald Ford, enacted it and two others, Ronald Reagan and George Bush, expanded it in 1986 and 1990. So did President Clinton in 1993.

Under the 1996 benefit schedule, the credit would lift about 4.5 million Americans above the poverty line, according to the Urban Institute.

Leaders of the new Republican Congress have proposed a child tax credit to make up the difference. But under Republican proposals to reduce the EITC, expand Individual Retirement Accounts and enact a $500 child tax credit, millions of low-income families would pay more taxes, many upper-income earners would pay less and the income gap between rich and poor children would grow, according to an analysis by the Center on Budget and Policy Priorities.

Sen. Don Nickles (R-Okla.) noted in introducing the bill that it differed from the House version only in one respect: It would not be limited to families with incomes of no more than $250,000.

As a result, the poorest 40 percent of American children, most of whom live in families that are not on welfare, would receive only 3.4 percent of the benefit from the credit and the poorest third of children—who number 24 million—would receive no credit at all, according to Robert Greenstein, the center's director and head of President Carter's poverty programs.

On the other hand, the 40 percent of children in the uppermost income brackets would receive 65 percent of the benefits, he said, and about a third of the benefits would go to the richest fifth.

But the tinkering with the EITC is modest compared to the execution conservative Republicans are trying to schedule for the Low Income Housing Tax Credit. Successful efforts by last year's Democrat-dominated Congress to make it a permanent budget line item may all be for naught.

Instead of giving housing contractors a handout, the housing credit provides incentives for builders to do what they like to do, which is build houses, for people they otherwise would not be able to afford to build for.

Since it began in 1987, it has provided an incentive for bankers and builders to build something other than high-priced condominiums and town houses for high-income yuppies.

Last year the tax credit was responsible for more than 90 percent of the new low-to-moderate income housing built.

It produced an estimated $12 billion in private investment, including 114,000 units in 1994 that generated more than 98,000 jobs, $3.1 billion in wages and $1.5 billion in tax revenues.

Then there is the Community Relations Service of the Justice Department, a tiny 120-person, $10 million agency that has helped defuse racial tensions in towns across the country ever since its creation by the 1964 Civil Rights Act.

It is curious that conservatives would go after this agency at this time, unless it is simply another step in rolling back the civil rights gains of the 1960s.

Roger Wilkins, a history professor at Virginia's George Mason University who headed the agency in the mid-1960s, called it "foolish to eliminate CRS, which is one of the few [agencies] in the federal government that really understands police-community relations, at a time when the extent of police malfeasance and excess from Mark Fuhrman to New Orleans to Philadelphia to New York City is really becoming apparent."

Instead of reducing the deficit, critics of the housing tax credit want to channel its funds to research-and-development subsidies for private corporations. Is this the sort of "corporate welfare" for "K Street lobbyists" that retired Gen. Colin Powell has been talking about lately? Could be.

If any of these agencies or programs is not working as well as it should, there is a proper answer: Fix it, don't nix it.

This Congress has its priorities reversed. Maybe the voters will fix that next year.

THE KANSAS CITY STAR

METROPOLITAN EDITION TUESDAY, September 19, 1995

Don't 'sunset' this program

It's a mystery why the low-income housing tax credit always seems to be on life-support in Washington. Over the last seven years, the program helped finance about 730,000 units of low-income affordable housing. Every dollar in credit attracts about three dollars from the private sector. Projects are built — and urban neighborhoods redeveloped — with a minimum of involvement by federal bureaucrats.

Unfortunately, House Ways and Means Chairman Bill Archer wants the low-income housing tax credit lumped with a variety of other credit programs, which would subject the LIHTC to review on a regular basis. In other words, he would end its permanent status and make it temporary. Unless reauthorized beyond 1997, it would die.

Since all investment decisions require planning, this move threatens to reduce the amount of capital available for affordable housing projects even if the tax credit survives regular reauthorization fights. Given the vagaries of Washington, a tax credit with temporary status is a program at risk.

Archer has also directed the General Accounting Office to do a study examining, among other things, whether developers are playing games with the system by charging full market rents for units subsidized by the credit, or milking the program by charging inappropriate fees. A study along those lines would be worthwhile, and if problems exist, the program can be fine-tuned. But that's hardly a justification for "sunsetting" the credit. Do the study, but keep the program permanent.

By and large, this has been a successful program, and state and local officials know it. In fact, the Republican Governors Association has written to Archer, begging him not to make the LIHTC temporary.

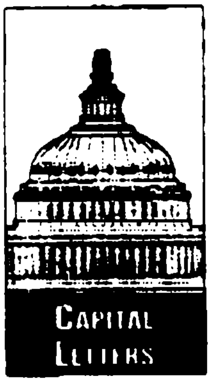
In a joint letter to House Speaker Newt Gingrich, Govs. Mike Leavitt of Utah and John Engler of Michigan wrote that "The credit . . . is a key element in the recovering real estate industry and the most effective tool we have to serve the housing needs of lower-income renters." They're right. Archer's gambit should be seen as a non-starter.

Simon Asks Churches To Join Budget Battle

By Basil Talbott
Sun-Times Washington Bureau

Convinced that politicians have let the poor down, Sen. Paul Simon is eying a higher authority. He wants to rouse "the religious community" that moved opinion during the civil rights era.

Simon's views came out during a visit by the people who run Mercy Home for Boys and Girls on the West Side. Simon told Father Jim Close, president of the home, that religious forces haven't done what they could to fight spending cuts. "The problems of dealing with the poor are serious enough that there ought to be a response," Simon said. "When the mainline religious community gets moving, they can have a significant influence." Simon has been impressed by Joseph Cardinal Bernardin's pleadings but said a broader assault is needed. "It should not just be the religious community in urban areas," he said. "The religious community in general has to grab the issue.



"It will take one or two people to pull it together," Simon said. Close agreed that City Hall "has thrown in the towel with Congress" on spending cuts affecting the poor, but he wasn't sure the Catholic Church could substitute. Trooping to Capitol Hill to shake hands is "not the style" of the church's leadership, Close said. "We hope this Republican Congress goes away. We wait for a change in political climate."

• • •

Among Chicago congressmen, the highest authority is Rep. Mike Flanagan. Chicago Democrats can eat their hearts out. Flanagan has more clout than all of them this year. As the solo Republican, he is the only Chicago member with a line to House Speaker Newt Gingrich. It paid off when Mayor Daley got help from Flanagan to repair the breakwater around the water purification plant at 79th Street. Daley needed an OK on the repairs so that Chicago can be reimbursed. No legislation on the subject was up this year, so attention turned to a provision not used for decades. The catch: The work had to be approved by the House committee overseeing such projects. Rep. Bill Lipinski, a Democrat on the panel, tried the chairman and got a "no." Flanagan couldn't persuade the chairman either, so he went to Gingrich. Presto. The word came down to approve it. All that's left is the likely approval by a Senate panel.

• • •

Daley and Gov. Edgar appealed to the House Ways and Means Committee not to kill the low-income housing tax credit today. It generated 30,000 residential units in the state. Two Illinoisans sit on the panel: GOP Rep. Phil Crane seems unmoved. House rules discourage Democratic Rep. Mel Reynolds from voting because of his criminal conviction in a sex case.

Woonsocket Call

9/16

Officials launch $4.5M city housing rehab project

Ready to go

Principals in the Constitution Hill development program hold golden hammers to symbolize the start of a $4.5 million housing rehabilitation project. From left: Fred C. Lohrum, chairman and president of Hospital Trust National Bank; Annmathor Gibbs, community relations director for Gov. Lincoln C. Almond; Richard Godfrey, executive director, Rhode Island Housing and Mortgage Finance Corp.; Kenneth Wade, district director, Neighborhood Reinvestment Corp.; Jon R. Rudzinski, Federal Home Loan Bank of Boston; Barbara Fields, director, Local Initiatives Support Corp. and Gail Chauvin, president, Woonsocket Neighborhood Development Corp.

WOONSOCKET — The city's Constitution Hill neighborhood faced a brighter future yesterday as banking, housing and public officials kicked off a construction effort for a new $4.5 million housing project.

Standing in a neighborhood blighted by boarded-up properties, the group lauded the efforts of the Woonsocket Neighborhood Development Corporation to add a project to its list of local housing redevelopment efforts.

On hand were U.S. Reps. Jack Reed and Patrick Kennedy, representatives of Gov. Lincoln C. Almond and the neighborhood development group.

"Ensuring neighborhood revitalization in a manner that benefits residents is key to the future of neighborhoods like Constitution Hill," said Gail Chauvin, WNDC president. "We worked long and hard to put together a financing partnership that allowed us to do quality rehab while keeping the

See HOUSING — Page A-5

Housing

costs to working families affordable," she said while addressing the gathering.

Reed lauded the effort to rehabilitate 13 rundown Olo Street properties into 44 new federally-subsidized housing units.

"We believe that if given the chance, corporations would invest in sound inner-city housing developments and we believed that given the chance, neighborhood groups would reclaim their neighborhoods," he said.

"Today's event is one more affirmation of that belief in the enduring resourcefulness, capability and goodwill of our nation," Reed added.

Kennedy, while praising the efforts of the local housing redevelopment group, warned that the federal program that allows such projects is now under attack by Republican budget cutters in Congress.

"We are supposed to be here celebrating the birth of an outstanding housing rehabilitation project. Instead, we may be attending the funeral of a program that has helped families, built housing and provided jobs for hundreds of Rhode Islanders," Kennedy said.

The freshman Democrat from Providence added that he will be "outspoken" in urging his colleagues to fight against the efforts of U.S. Rep. Bill Archer, R-Texas, chairman of the House Ways and Means Committee, to repeal the tax-credit program. Archer, Kennedy said, included the repeal of the program in budget legislation that is scheduled to be debated in his committee Monday.

According to Kennedy, Rhode Island receives authorization for $1.2 million per year in low-income housing tax credits, which yields about $6 million from private investors such as banks and corporations. That money, in turn, has generated about $18 million in development and construction contracts in the state each year.

Since the program's inception, Rhode Island has collected $8.3 million in tax credits which have raised $41 million in equity investment to leverage a total housing investment of $117.5 million, according to Kennedy. The funding has allowed construction or rehabilition of 2,476 low-income housing units in the state, Kennedy added.

Under the development plan, the buildings to be refurbished were secured by the WNDC with financing from Rhode Island Hospital Trust National Bank, aided by the Federal Home Loan Bank of Boston.

Additional financial support was provided by Rhode Island Housing & Mortgage Finance Corp., the U.S. Dept. of Housing and Urban Development, the city and the Institute for Community Economics.

The goal of the project will be to create one-, two-, three- and four-bedroom apartments in the buildings that would then be rented to low-income families for between $285 and $530 a month, according to the WNDC.

Families earning less than 60 percent of the area's median income — $25,600 for a family of four — would be eligible to live in the renovated homes.

§42 IRC

Section 42 Outlook

VOLUME 5 SEPTEMBER 21, 1995 NUMBER 23

A TWICE-MONTHLY REPORT FOR PARTICIPANTS AND ADVISORS IN THE LOW-INCOME HOUSING TAX CREDIT PROGRAM

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LATEST UPDATE!

On [illegible], September 19, Democrats on the House Ways and Means Committee [illegible] unsuccessful in their attempts to offer amendments to Chairman **Bill Archer's** [illegible] of the budget bill.

[illegible] the 1997 sunset provision for the Low Income Housing Tax Credit was passed on to the Senate. The first draft of the Senate reconciliation bill, the "Chairman's Mark," will now be drafted in the office of Republican Senate Finance Chairman **William V. Roth** of Delaware.

Colleagues in affordable housing are being urged to send, mail, or fax messages in support of retaining the LIHTC to the nation's governors, to U.S. Senators, to members of the Senate Finance Committee and to Bill Roth, the Senate Finance Committee Chair.

According to **Linda Conroy** of the National Council of State Housing Finance Agencies, "For the tax credit to have a fair hearing, there has to be a [illegible] in the Senate than there was in the House. That means the Senate [illegible] a [illegible] that would sunset the tax credit. Only in this [illegible] in the Conference Committee."

ARCHER PROPOSES ENDING TAX CREDIT PROGRAM IN 1997

Law

House Ways and Means Committee Chairman **Bill Archer** (D-Texas) has proposed terminating the low-income housing tax program (LIHTC) after December 31, 1997.

The proposal was in Archer's "Chairman's Mark" — the starting legislative vehicle that the Ways and Means Committee began to mark up this week.

According to Maryland tax credit expert **Wally Scruggs**, Archer's original plan was to scrap the LIHTC at the end of 1996.

Under pressure from the affordable housing industry, Archer agreed to delay the sunset provision until the end of 1977.

At present, Archer's proposal would:

- End the tax credit program after 1997, pending findings from a General Accounting Office study of low-income tax credit program compliance monitoring that Archer requested and which is just starting.
- Discontinue after 1995 the "national pool" of extra credits ($16.5 million in 1995) awarded annually to states that have exhausted their credit supply.

Annual state per capita credit volume caps for 1996 and 1997 would be unaffected by the bill. Tax-exempt bond-financed projects placed in service before 1998 or during some transition period yet to be determined, provided the bonds are issued before 1998, would also be unaffected.

Responding to the proposals to sunset the Low Income Housing Tax Credit (LIHTC), the National Council of State Housing Agencies (NCSHA) has attacked as "inaccurate, unfair, and just plain wrong," any characterization of the LIHTC as corporate welfare. NCSHA is the spokesman for the nation's Housing Finance Agencies (HFAs), which administer the LIHTC.

The nation's HFAs believe that the LIHTC serves a vital public purpose in supporting desperately-needed affordable rental housing. They worry that the program may be "sacrificed today for other programs," according to NCSHA Executive Director **John McEvoy**.

According to McEvoy, "the LIHTC is the incentive — in fact, the only incentive

(Continued on page 4)

To: Linda Conroy

NATIONAL VERSION:

AM-Taxes-Governors,330<
Governors Fight for Low-Income Housing Tax Credit<
By CATHERINE O'BRIEN=
Associated Press Writer=

WASHINGTON (AP) _ Governors are upset that a federal tax credit to help build low-income housing might be changed from a permanent, long-term incentive to one that could be terminated in two years.

The Republican Governors' Association wrote a letter to House Speaker Newt Gingrich, R-Ga., urging him to keep the tax credit as a permanent incentive attracting businesses investment in units with rent ceilings.

The letter was signed by Utah Gov. Mike Leavitt, who chairs the association, and Michigan Gov. John Engler. Engler also wrote a separate letter expressing his concern ``about this unexpected development and the impact it will have on our current and future efforts in ... Michigan to produce affordable housing.''

The National Governors' Association followed up with a third letter, signed by Chairman Tommy Thompson, the Republican governor of Wisconsin, and Nevada Democratic Gov. Bob Miller, the vice chairman.

The low-income housing credit goes to investors _ mostly corporations _ that provide money for construction or rehabilitation of low-income housing.

The congressional Joint Committee on Taxation estimates the credit cost the treasury $2.2 billion this year. Republicans, who control Congress, are trying to scale back the credit as part of a deficit-reduction plan.

The credit has led to construction of more than 100,000 housing units a year, and most of the low-income housing built in the country, backers say.

Rep. Sander Levin, D-Mich., and other Democrats unsuccessfully tried to block the GOP proposal _ which would put the tax credit up for renewal in two years _ from passing out of the House Ways and Means Committee earlier this week. It now goes to the House floor as part of the deficit-cutting package.

Federal Housing Commissioner Nicholas P. Retsinas called the credit ``one of the most important sources of capital for low-income housing in the country, and one of the most important bridges to private capital.''