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LIHTC [Low Income Housing Tax Credit] [1]

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Chicago Tribune

February 15, 1998

Boost the housing tax credit

President Bill Clinton's fiscal 1999 budget recommendations to Congress already are triggering the usual partisan fireworks.

There is, however, one relatively small item in that \$1.7 trillion spending plan upon which Republican and Democrats ought to agree. It's a proposal to increase the value of the hugely successful low-income housing tax credit.

An underappreciated but crucial tool in the rebuilding of inner cities, the tax credit encourages corporations and private investors to participate in something they otherwise would not: rental housing for families of limited means. In return for their equity investment, investors get credits to apply against their federal income tax liability.

Since its inception in 1986, the program has stimulated the production of more than 900,000 affordable units nationwide, 9,216 in Chicago. Typically, the hands-on developer is a neighborhood-based organization working in conjunction with the city or the Illinois Housing Development Authority.

Other government subsidies, such as low-interest

mortgages, come into play. But tax credit-based deals produce more and better affordable housing per government dollar than other types of subsidies, especially costly and stigmatizing public housing.

But the program is slowing down. The population-based allocation formula for the credits—\$1.25 for every resident of a state—has not been increased since 1986. In the meantime, inflation has eroded the value of Illinois' \$16 million annual allotment, cutting into the number of apartments leveraged.

The solution? A bipartisan congressional coalition is joining the White House in calling for an increase in the allotment to \$1.75 a person. That would produce annually some 40,000 additional apartments nationwide, 1,000 of them in Chicago.

As the nation moves away from failed public housing and welfare dependency and toward a balanced federal budget, more efficient ways must be found to help low-income Americans achieve self-sufficiency and middle-class status. The low-income housing tax credit is just such a vehicle. Congress should push this program back up to speed.

Houston Chronicle

February 13, 1998

HEARTH AND HOME

Increase Texas' ability to provide affordable housing

There is a dearth of housing in Texas that is affordable for nurses, secretaries, firefighters, teachers and others who put in solid 40-plus hour work weeks. At a minimum, those who work hard, pay their bills and pay their taxes ought to be able to find a suitable house or apartment at a reasonable price.

To this end, two bills are pending before the Congress that would encourage increased affordable housing construction by the private sector. One is SB 1251 — HB 979 in the House

— which proposes to raise the limit on tax-exempt private-sector bonds that Texas and other states are authorized to sell. Such bonds are used to finance low-interest mortgage loans for first-time home buyers and the construction of affordable rental developments.

Such bonds also may be used to pay for student loans and industrial development, but it was requests for housing bonds that increased three-fold from 1996 to 1997 — which points out Texas' acute need for affordable housing. Texas' 1997 bonding capacity was \$956 million based on the current \$50 per capita bond cap. By increasing the cap to \$75, Texas will be better prepared to meet the needs of the 1.9

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The second bill, SB 1252, proposes to increase the low-income housing tax credit. If expanded, this tax credit, designed to reduce federal income taxes for those who invest in the construction of affordable rental property, could increase housing availability to low-income, disabled, elderly people on fixed incomes, the working poor and other struggling Texans.

Furthermore, raising Texas' allocation of these tax credits from \$1.25 to \$1.75 per capita, as proposed, would swell the flow of private capital into this state.

States' low-income housing tax credit allocations and their tax-exempt private-sector bond caps have not changed since 1986. Since then, inflation has severely eroded the effectiveness of these two tools to meet basic housing needs. There are other pending bills that address these housing problems. Passing some combination of legislation with bipartisan support will help provide one of the most basic necessities — a roof over one's own or one's family's head.

The New York Times

SUNDAY, JANUARY 18, 1998

Lifeline for Low-Cost Housing

Among all the leaks by the Clinton Administration from its forthcoming budget plan, one of the best is a proposed 40 percent hike in the tax credit for investors in housing for low-income families. This tax credit is focused and effective, an exception to the rule that tax credits are often a wasteful way to do the Government's business.

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AN INDEPENDENT NEWSPAPER

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Easing the Housing Squeeze

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But the budget agreement the president and Congress reached last year leaves little room for an increase in the conventional programs—public housing and vouchers—on the spending side of the budget. The catch-all budget category in which they fall is scheduled to be cut about 10 percent in real terms in the next several years. Nor would the current Congress likely vote for an increase even if the funds could be found. Administration-proposed increases in recent years have been turned down; the pattern is likely to be repeated this year. The tax credits are thus the only game in town.

The tax-credit program, begun in 1987, is larger than commonly realized. It has produced about 900,000 subsidized units in its short lifetime. That begins to approach the public-housing program in size, and the number of tax-credit units has been increasing at a rate of about 100,000 a year. The president would increase that by about a third.

The program, whose cost—the revenue loss to the Treasury—is now about \$3 billion a year, has been criticized in the past as inefficient. There are less oblique and better ways to get assistance to the poor, is the argument. But in recent years some of the middle-man costs that contributed to this inefficiency are said to have been reduced. The credits by themselves also don't result in low enough rents to help the very poor. Standing alone, this is thus a program less for the poor than for lower-middle-income households. But the pattern has become to use the credits in combination with other subsidies. In the end, that way, the program does serve a lot of poor families.

There will be some resistance in Congress to the tax-credit proposal. We hope in the end the resistance fades. There are always competing ways to spend money in a tight budget. But there ought to be an expansion of housing assistance, and this is, if not perhaps the best way, at least an acceptable way to achieve it.

Letters to the Editor

By mail: Letters to the Editor, Chicago Sun-Times, 401 N. Wabash, Chicago, 60611

By fax: (312) 321-2120; By e-mail: letters@suntimes.com

Or connect with the Sun-Times Web site at www.suntimes.com

Letters must include name, address and a daytime telephone number.

Letters may be edited for space or content.

Housing tax credit builds better cities

I applaud the editorial [Dec. 21] supporting the highly effective and much-needed Low-Income Housing Tax Credit program.

Created under the Tax Reform Act of 1986 as an outgrowth of an affordable housing program started in Chicago, the Federal Low-Income Housing Tax Credit program is a successful financing strategy developed to stimulate private-sector involvement in affordable housing.

Today, tax credits are responsible for financing 95 percent of all affordable housing in the United States. However, due to inflation, they helped produce only 75,000 units of affordable housing in 1996, down from almost 125,000 units in 1989. The current tax credit allocations alone cannot meet the need for financing affordable housing.

In 1997, city-sponsored tax credits of \$3.4 million attracted more than \$21.1 million in equity, resulting in 775 units of low- and moderate-income rental housing.

Since 1994, the Department of Housing has awarded more than \$14.5 million in tax credits, resulting in the creation and preservation of 3,182 units of affordable housing. In addition, there has been \$81.5 million in equity generated from these tax credits.

The Federal Low-Income Housing

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The demand for affordable housing is greater than ever. An estimated 4.7 million households nationwide qualify for affordable housing, either because they live in substandard housing or pay more than 30 percent of their income in rent.

The Low-Income Housing Tax Credit is still one of the most effective tools to help build or renovate decent housing for people with low incomes.

However, there is still a lot of work to be done.

We encourage Congress to increase the federal limits by the 40 percent recommended by the Senate Finance Committee to \$1.75 per person, and to index the tax credit to inflation starting in 1999.

Julia Stasch,
commissioner,

Chicago Housing Department

Credit for good deeds

The Low Income Housing Tax Credit has survived a number of challenges during its 11 years, including efforts to kill it.

None of those ill-advised attempts has succeeded, fortunately. But without a Clinton administration push to modernize it, the tax credit will be less effective in 1998 than it was when it was created in 1986.

The problem is inflation. The tax credit is set on a state-by-state basis at \$1.25 per resident. In Illinois, that formula results in \$14.69 million worth of tax credits that can be used by developers to help finance the construction of low-income housing. If the tax credit were indexed to inflation, so that it went up every time the Consumer Price Index did, it would now be worth \$1.75 per capita. That is the level the White House should propose in next year's budget request, along with a plan to tie the tax credit to the rate of inflation in ensuing years.

The tax credit is one of the few real Washington success stories. It helps construct new housing for low-income tenants as a public-private partnership. This year alone, the credit led to the construction of 84,228 low-cost rental units nationally, 2,499 of them in Illinois. If the credit were indexed, it would have helped build an additional 33,000 low-income housing units last year.

The need could not be greater. At a time when public housing high-rises are being torn down across the country, when urban gentrification is displacing poor residents, it is imperative that the federal government help private developers build housing to accommodate those low-income tenants. 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.

The low-income housing tax credit uses federal tax dollars to promote private sector involvement. Only developers with proven results reap the benefit. In short, it is exactly the kind of program Americans should be demanding of the federal government.

WASHINGTON COUNSEL, P.C.

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Chuck Marr	Robert M. Rozen
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☐ URGENT ☐ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

As per our discussion -



WASHINGTON COUNSEL, P.C.

ATTORNEYS AT LAW

ROBERT M. ROZEN

MEMORANDUM

TO: CHUCK MARR

FR: BOB ROZEN

RE: LOW-INCOME HOUSING TAX CREDIT OPTIONS

As we discussed, I have listed below various options for a phase-in and delay of the LIHTC cap increase. The accompanying chart shows the estimated cost of each option based on the Joint Tax Committee estimate of the D'Amato-Graham bill. These numbers may not be very accurate, but they were the best I could come up with.

- 1) One year delay in legislation, so that it is effective in 2000. This simply moves all the numbers back one fiscal year so that the 1998 to 2003 cost is reduced by \$526 million to \$643 million. The ten year cost should be reduced by \$1.5 billion to \$5 billion.
- 2) Phase-in legislation so that the cap is increased 10 cents a year, beginning in 1999, and reaching a full 50 cent increase in 2003. The five year cost should be \$735 million and the ten year cost should be \$5.4 billion.
- 3) Phase-in legislation so that the cap is increased 10 cents a year but not effective until the year 2000. The five year cost should be \$340 million and the ten year cost should be \$4.1 billion.
- 4) Same as option two above but sunset the 50 cent increase after 2003 so that the cap returns to \$1.25. The five year cost would be \$735 million and the ten year cost would be \$2.37 billion.
- 5) Same as option three but sunset the 50 cent increase after 2004. The five year cost would be \$342 million and the ten year cost would be \$2.3 billion.

LOW-INCOME HOUSING TAX CREDIT OPTION

FISCAL YEARS [Millions of Dollars]

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
OPTION 1		20	83	191	350	526	702	828	1063	1239	643	5000
OPTION 2	2	27	92	219	395	571	747	932	1117	1302	735	5400
OPTION 3		2	27	92	219	395	571	747	932	1117	340	4100
OPTION 4	2	27	92	219	395	395	395	395	395	395	735	2370
OPTION 5		2	27	92	219	395	395	395	395	395	342	2300

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Chicago • Business CRAIN'S

MARCH 23, 1998

OPINION

TALKING POLITICS

Housing credits: a perfect public/private-sector duet

By JOHN N. VARONES



Candidates running for every office from county clerk to Congress have received one resounding message from the voters:

Taxpayers want their money's worth from government. This crescendo of fiscal prudence now resonates through the White House and Capitol Hill as Republicans and Democrats craft a budget.

In January, Vice-president Al Gore came to Kenwood, a revitalizing Chicago neighborhood, to praise a highly effective but little-known federal housing program that has yielded a return on taxpayers' dollars: the low-income housing tax credit.

Positioning the housing credit as the centerpiece of an urban growth strategy for America, Mr. Gore, as well as congressional Republicans, have called for a 40% increase in its funding.

This sophisticated financing vehicle, responsible for over 900,000 units of affordable housing nationwide, has spurred the first new housing in Kenwood in over 40 years—and similar rebirths in urban centers throughout America.

The housing credit is arguably the federal government's most successful incentive for the private and non-profit sectors to develop, own and manage affordable housing.

As this urban development initiative navigates its way through the House and Senate, the merits of this market-driven and decentralized program become more evident. They bear repeating now.

Of all the attempts to breathe economic life into our inner cities, the housing credit—through the helping hand of the marketplace—stands as a notable example of government that works.

Functioning since 1987 and serving tenants at or below 60% of the U.S. median income, the housing credit has become the lifeblood of rental housing development, accounting for more than 90% of all affordable rental housing created in the U.S. today.

Housing tax credits are market-driven with a social purpose.

Structured as a block grant to state housing finance agencies, they are awarded to private developers

who in turn syndicate the credits to corporations. The proceeds from the sale of the credits are converted to equity that finances 30% to 40% of the development cost, making these corporations limited partner/owners in the housing.

The program relies on a public-private partnership, wherein private developers subject to the dynamics of the rental housing markets develop, own and manage the housing. Government plays the role of financial catalyst by encouraging corporations to invest equity in affordable housing by offering a dollar-for-dollar credit on their federal tax liability.

As groups rush to spend the much-ballyhooed budget surplus, we should pause and consider investing in programs that yield a return on taxpayers' dollars. The housing credit is one investment that harnesses market forces in an efficient manner to achieve a social goal.

With a 10-year track record of success, the housing credit is a rock-solid foundation on which to build a housing and urban agenda for the 21st century.

John N. Varones is executive director of the Illinois Housing Development Authority, the managing agency for the housing credit program in Illinois.

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But the program is slowing down. The population-based allocation formula for the credits—\$1.25 for every resident of a state—has not been increased since 1986. In the meantime, inflation has eroded the value of Illinois' \$16 million annual allotment, cutting into the number of apartments leveraged.

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

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

- **Increasing the Cap on the LIHTC from \$1.25 Per Capita to \$1.75 Per Capita.** Since the creation of the LIHTC in 1986, each state has been provided \$1.25 per capita of housing tax credits to allocate to developers of affordable housing. Even though building costs have increased nearly 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. President Clinton and Vice-President Gore will propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita — restoring the value of the credit to its 1986 level. *This proposal will cost \$1.6 billion over five years and is fully paid for in the Clinton-Gore Administration's FY99 budget.*
- **This Expansion Will Help Develop An Additional 150,000-180,000 Affordable Housing Units Over the Next Five Years.** Estimates suggest that the LIHTC currently helps develop 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will mean an additional 150,000-180,000 quality rental housing units for low-income American families during the next five years.
- **The Low-Income Housing Tax Credit Works.** Until the LIHTC was made permanent by President Clinton and Vice-President Gore in 1993, it was not working efficiently. With Congress extending the credit for only short periods of time — the credit was set to expire in 1989, then 1990, then 1991, and then 1992 — investors were not always willing to put money down for a long-term chance on low-income housing. Now, with the credit permanent, it is nearly fully utilized: in 1996, 97 percent of the available credits were allocated — the remaining were either carried over to 1997 or reallocated among the states.
 - *Washington Post, October 19, 1995:* "The program's goal is to produce rental housing for poor people, and by almost any measure it has been wildly successful."
 - *Chicago Sun-Times, December 21, 1997:* "The [Low-Income Housing] tax credit is one of the few Washington success stories. It helps construct new housing for low-income tenants as a public-private partnership... it is exactly the kind of program Americans should be demanding of the federal government."
- **Expanding the LIHTC Is Necessary To Meet the Demand for the Credit and the Demand for Affordable Housing.** While state housing agencies had \$392 million worth of tax credits to allocate, developers *requested* more than \$1.1 billion in credits in 1996 — that means that demand for the credits exceed supply by nearly 3 times. With such excess demand, an expanded LIHTC is needed and competition will remain fierce for the additional credits. Moreover, there are an estimated 5 million American families living in inadequate housing. Expanding the LIHTC — along the rest of the Clinton-Gore Administration's agenda to empower communities — helps to address the housing needs of American families.

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

HOW DOES THE LOW-INCOME HOUSING TAX CREDIT WORK?

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

Low-Income Housing Tax Credit

Additional Number of Affordable Housing Units Because of Proposed Expansion Over Next 5 Years

State	Low	High
Alabama	3,336	4,004
Alaska	327	393
Arizona	1,064	1,277
Arkansas	1,912	2,295
California	12,699	15,239
Colorado	1,522	1,827
Connecticut	1,260	1,512
Delaware	470	564
Dist. of Col.	1,101	1,321
Florida	6,516	7,819
Georgia	5,182	6,218
Hawaii	24	28
Idaho	619	743
Illinois	5,795	6,954
Indiana	3,611	4,333
Iowa	1,657	1,989
Kansas	1,575	1,890
Kentucky	2,678	3,214
Louisiana	4,146	4,975
Maine	398	477
Maryland	2,864	3,437
Massachusetts	4,855	5,826
Michigan	5,550	6,660
Minnesota	2,790	3,348
Mississippi	4,349	5,219
Missouri	3,910	4,693
Montana	701	842
Nebraska	878	1,053
Nevada	1,334	1,601
New Hampshir	648	778
New Jersey	2,257	2,708
New Mexico	1,303	1,563
New York	9,171	11,005
North Carolina	4,048	4,857
North Dakota	451	541
Ohio	6,412	7,695
Oklahoma	4,089	4,906
Oregon	1,415	1,697
Pennsylvania	5,527	6,632
Rhode Island	390	468
South Carolina	2,623	3,148
South Dakota	488	585
Tennessee	3,726	4,472
Texas	11,680	14,017
Utah	1,019	1,223
Vermont	382	458
Virginia	4,026	4,831
Washington	2,320	2,784
West Virginia	1,076	1,291
Wisconsin	3,421	4,105
Wyoming	406	487
United States	150,000	180,000

Memo

To: John Orszag

From: Judie Berendt

Date: January 29, 1998

Re: Vice President's visit to Kenwood/Oakland January 13, 1998

These are all the clips we have accumulated since Vice President Gore was here. I am expecting six more papers to print regarding his visit. When I receive them, I will fax them to you. If there is anything else I can help you with, please let me know.

Letters to the Editor

By mail: Letters to the Editor, Chicago Sun-Times, 401 N. Wabash, Chicago, 60611

By fax: (312) 321-2120; By e-mail: letters@suntimes.com

Or connect with the Sun-Times Web site at www.suntimes.com

Letters must include name, address and a daytime telephone number

Letters may be edited for space or content.

Housing tax credit builds better cities

I applaud the editorial [Dec. 21] supporting the highly effective and much-needed Low-Income Housing Tax Credit program.

Created under the Tax Reform Act of 1986 as an outgrowth of an affordable housing program started in Chicago, the Federal Low-Income Housing Tax Credit program is a successful financing strategy developed to stimulate private-sector involvement in affordable housing.

Today, tax credits are responsible for financing 95 percent of all affordable housing in the United States. However, due to inflation, they helped produce only 75,000 units of affordable housing in 1996, down from almost 125,000 units in 1989. The current tax credit allocations alone cannot meet the need for financing affordable housing.

In 1997, city-sponsored tax credits of \$3.4 million attracted more than \$21.1 million in equity, resulting in 775 units of low- and moderate-income rental housing.

Since 1994, the Department of Housing has awarded more than \$14.5 million in tax credits, resulting in the creation and preservation of 3,182 units of affordable housing. In addition, there has been \$81.5 million in equity generated from these tax credits.

The Federal Low-Income Housing

Tax Credit program represents both a successful innovation and an important opportunity to promote and finance a steady supply of affordable housing in urban areas. A viable stock of affordable housing is imperative, especially in light of welfare reform, impending changes in public housing policies and a growing elderly population. Without this tax credit, many developers would find it is not financially feasible to undertake such projects.

The demand for affordable housing is greater than ever. An estimated 4.7 million households nationwide qualify for affordable housing, either because they live in substandard housing or pay more than 30 percent of their income in rent.

The Low-Income Housing Tax Credit is still one of the most effective tools to help build or renovate decent housing for people with low incomes.

However, there is still a lot of work to be done.

We encourage Congress to increase the federal limits by the 40 percent recommended by the Senate Finance Committee to \$1.75 per person, and to index the tax credit to inflation starting in 1999.

Julia Stasch,
commissioner,

Chicago Housing Department

WASHINGTON TIMES

Washington, DC

January 13, 1998



TODAY'S HEADLINERS

"Filegate" hearing — 10 a.m. — Larry Klayman of Judicial Watch appears in court to argue a motion for sanctions against the White House and the FBI and to discuss status of class-action lawsuit involving the affair called "Filegate." Location: Courtroom 12 of U.S. District Court for the District of Columbia. Contact: 202/646-5172.

Housing announcement — 3:45 p.m. — Vice President Al Gore makes an announcement regarding low-income housing. Location: Kennicott Park Field House, Chicago.



By Babero Mannewis, AP

Charlotte Gardens: Tax credits were highlighted last December when President Clinton visited the South Bronx in New York and walked streets of new single-family homes. A few years ago those streets were part of a decaying landscape.

Gore to pitch tax-credit plan for low-income housing

By William M. Welch
USA TODAY

WASHINGTON — President Clinton's new federal budget will propose a 40% expansion of tax credits designed to encourage construction or renovation of low-income housing.

Vice President Gore plans to announce the initiative today in the Kenwood-Oakland neighborhood on Chicago's South Side, where redevelopment of once-blighted streets has been fueled by the federal tax credits.

The proposal to increase the credits by \$1.6 billion over five years is the latest in a series of narrowly targeted tax incentives the administration has unveiled as part of its budget proposal for fiscal 1999. Clinton will send that plan to Congress early next month.

Administration officials said expanding the credits as Clinton proposes would permit the development of 150,000 to 180,000 more housing units over the next five years. Currently, about 75,000 to 90,000 housing units per year are

built or substantially refurbished with tax-credit financing.

The tax credits are an arcane but largely successful tax provision begun in 1986 under the Reagan administration and made permanent in 1993 with Clinton administration support.

The program is designed to help steer private financing to inner-city housing programs. Tax credits are allocated to the states, which offer them to developers through competitive bids. The developers in turn offer them to private investors, who put capital into the housing projects in return for credits that they use to lower their corporate income tax bills over 10 years.

Paul Logan, head of a nonprofit group that provides technical assistance to inner-city projects, said that the federal tax credits are responsible for covering 40% to 50% of the costs of building or refurbishing housing in typical low-income housing developments.

"That allows you to keep the rents sufficiently low so a poor working family can afford to be in the housing," said Logan, president of the Lo-

cal Initiatives Support Corporation.

The program has enjoyed bipartisan support. Rep. Rick Lazio, R-N.Y., chairman of the House housing subcommittee, called the credit a "flexible, creative tool" and said he is co-sponsoring a bill that would similarly increase the program's size. He said Republicans also want to adopt some minor program reforms recommended by a recent congressional study.

"From a Republican standpoint, if we were devising a new housing tool, it probably would look very much like the low-income housing tax credit," Lazio said. "It's anti-bureaucratic. It's been very successful."

The tax credits were highlighted last December when Clinton visited the South Bronx in New York City and walked streets now lined with freshly built single-family homes. Only a few years ago those streets were part of a decaying landscape and a symbol of national urban failure.

The administration's proposal will be financed by offsetting spending reductions or tax provisions, although details were not available.

Daily Herald

Political back-scratching



Vice President Al Gore came to Chicago Tuesday to help often-criticized Sen. Carol Moseley-Braun. In turn, she was quick to applaud Gore.

Daily Herald Photo/Christopher Hankins

Gore, Moseley-Braun sing each other's praises

BY MADELEINE DOUBEK
Daily Herald Political Editor

While the ubiquitous pop singing "Spice Girls" attracted attention at one end of Chicago's Loop Tuesday night, Vice President Al Gore was at the other end

singing the praises of U.S. Sen. Carol Moseley-Braun.

"We're close friends," Gore told Democrats at a Michigan Avenue hotel. "I've seen firsthand her passion for getting the job done."

Gore defended Illinois' senior senator from critics and sought

to rev up support for her at two fund-raisers expected to generate a total of \$350,000 for her 1998 re-election bid as well as those of other Democratic Senate candidates. Earlier in the day, she

See VISIT on Page 4

VISIT:

Fund-raisers expected to raise \$350,000

Continued from Page 1

joined him near her own South Side Chicago home as he announced the Clinton administration's plans to expand a low-income housing tax credit program.

The vice president was making a good news trip to Chicago Tuesday, but the day was good for him just as it was designed to be good for Moseley-Braun. It was a classic case of political back-scratching.

Gore traveled here to help Moseley-Braun's 1998 election bid, but she and others heaped praise on him in the process and political veterans noted his visit also helps him prepare for Campaign 2000.

"It is hard to go too often to states like Illinois, Michigan, Pennsylvania and California," said David Wilhelm, the Chicago resident who was President Clinton's 1992 campaign manager and a former chair of the Democratic National Committee. "If he's making strong alliances with people like Mayor Daley and Senator Moseley-Braun and people who care about things like low-income housing, then that's certainly going to help him."

Wilhelm said Gore aides called him before Tuesday's trip as they typically do to be appraised of current events and local political developments.

"They do that sort of political networking," Wilhelm said. "He seems to be trying to touch a lot of bases, community bases, political bases."

Both Gore and Moseley-Braun were touching all those bases Tuesday as they toured the North Kenwood Oakland neighborhood on Chicago's South Side to praise efforts to revitalize it and draw in residents of mixed incomes.

"What he gets is exposure in the third-largest media market in the country and one of the top five primary states," noted political consultant Art Hanlon, who frequently works for Republican candidates. "He'll have access to meeting big-money players in the Chicago area."

Gore used the neighborhood near Moseley-Braun's current home as an example of the good that can come from the housing tax credit program the Clinton administration proposes to expand by 40 percent. The tax credits have been issued to corporations to encourage the development of low-income housing both in Chicago and in suburbs, including Elk Grove Village and Elmhurst, said John Varones, executive director of the Illinois Housing Development Authority.

Political observers say such announcements can serve to help Moseley-Braun this year as well as help Gore build a base for his likely 2000 presidential bid, but Illinois Republican Party officials sought to stem any benefit by dwelling on the fact that both Gore and Moseley-Braun have been the subject of campaign finance investigations during their tenures.

Illinois GOP Chairman Harold Smith called Gore "the perfect apologist for Moseley-Braun's pattern of ethical abuses," noting he came under scrutiny for placing fund-raising calls from federal property, while federal election officials examined her fund-raising and spending practices. Neither has been charged with any criminal wrongdoing.

Not surprisingly, both Gore and Moseley-Braun sought to push past those episodes. Moseley-Braun praised Gore for being part of the administration that presiding over balanced federal budgets and thanked supporters. "I couldn't continue to put up with the battles and the fights and the troubles and the trials and all the rest of it," she said, "without your prayers, without your support, without your goodwill."

CAPITAL JOURNAL

TOPEKA, KS

JANUARY 14, 1998

POLITICAL FUND-RAISER

Plate passed:

Gore rakes in big bucks as donors dine

By CHRISTOPHER CLARK
The Associated Press

KANSAS CITY, Mo. — As deep-pocketed Democrats lunched on thick K.C. strips and chocolate cake, Vice President Al Gore on Tuesday praised his administration's eagerness to "empower cities" like Kansas City to cut crime and blight.

Gore's message during the brief fund-raising stop wasn't new, but it was expensive: Diners forked over \$10,000 per couple to nosh with the nation's second-in-command.

The money helped raise about \$200,000 for the Democratic National Committee, which has pledged to shrink its debt from about \$9.4 million to \$5 million before the November elections.

About 40 people attended the luncheon at the Plaza III hotel on the city's upscale Country Club Plaza.

Gore is considered the front-runner for the Democratic presidential nomination in 2000. A probable challenger is Missouri Democratic Rep. Dick Gephardt, the House minority leader who represents a St. Louis district.

Gore spent much of his speech Tuesday thanking the lunch's big-spenders, along with the smattering of prominent Missouri Democrats seated in the audience. Among them were Gov. Mel Carnahan, U.S. Rep. Karen McCarthy, Attorney General Jay Nixon and Kansas City Mayor Emanuel Cleaver.

When it came time to talk policy, Gore talked up the administration's efforts to improve cities by offering affordable housing for low-income residents and cleaning up the urban environment.

Democrats, Gore said, have led the way on improving big cities by favoring spending on construction and revitalization projects. Such commitment is an ingredient to robust economies and the jobs they produce, Gore said.

"This positive change occurred because of Democratic leadership who are willing to get out there and fight for the change our country needs," Gore said. "And as a result of that change, you can feel the tangible, positive benefits, right here in Kansas City."

Gore coupled his praise for Democrats with barbs at Republicans, whom he criticized as being "unwilling to vote for change" when it came to addressing urban problems.

"If you're a Democrat, don't forget ever for one minute that when this country had been run into the ditch, and we were in serious trouble not one single Republican in either the House or the Senate was willing to vote for change," Gore said. "All of them just held on to trickle-down economics for dear life. It was the only thing they knew. At least that was the way they acted."

GOP Missouri Party spokesman Daryl Duwe disputed Gore's claims that Democrats were primarily responsible for aiding cities.

Duwe pointed to Missouri Republican Sen. Christopher Bond, who has a friendly personal relationship with Cleaver and has helped steer millions of dollars to Kansas City for such projects as a new federal courthouse, flood control, bridge maintenance and study of a light rail system.

Clinton Proposes Bigger Tax Credit On Homes for Poor

By ROCHELLE SHARPE

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Clinton administration will propose a 40% increase in the tax credit for building low-income housing, Vice President Al Gore announced.

The plan, to be part of President Clinton's fiscal 1999 budget proposal, would cost \$1.6 billion over the next five years and could result in 36,000 more rental units annually during that period. States could increase the credits they allocate to housing developers — who in turn sell them to corporations or individual investors — to \$1.75 a state resident from \$1.25, the amount set when the tax-credit program was created in 1986.

"This means more projects will be funded," said Paul Grogan, president of the Local Initiatives Support Corp., a New York-based group that raises money for housing development. "This may begin to reduce the enormous crunch" in the low-income housing market. Five million families now pay more than 50% of their incomes for rent or live in dilapidated housing, he said.

The existing tax credit has been used to build 75,000 to 90,000 low-income rental units each year, or a total 900,000 homes since 1986. Housing advocates have long clamored for an increase in the tax credit, saying inflation has eroded the credit's purchasing power by 45% since 1986. They want the credit raised to \$1.75 a resident in the fiscal 1999 budget and indexed for inflation in coming years.

The proposed increase is part of a package of modest tax cuts, totaling about \$23 billion over five years, to be included in Mr. Clinton's budget. The president has announced tax-cut proposals affecting child care, carbon emissions, education and pension coverage. Mr. Clinton also is expected to propose extending various tax credits due to expire this year, including one designed to encourage corporate research and development.

Chicago Sun-Times

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Chicago Sun-Times **METRO** Wednesday, January 14, 1998

Low-income rental housing target of tax-credit plan

BY LEON PITT
HOUSING REPORTER

Vice President Al Gore said Tuesday in Chicago that the administration will propose increasing tax credits to spur development of low-income rental housing in distressed areas.

Gore announced the budget proposal after a tour of the Kenwood-Oakland neighborhood, a revitalizing South Side community where a mix of private and public investments has helped change the face of the once-blighted area.

In the last 10 years, more than 2,000 units of new and rehabilitated housing have been developed here, many of them rental units for low- and moderate-income families.

The tax credits have helped build roughly 34,000 units of low-income housing in Illinois, including more than 11,000 in Chicago, said Sen. Carol Moseley-Braun (D-Ill.), who accompanied Gore on the tour along with Mayor Daley and

several other elected officials and community leaders.

The proposal is designed to spur the development of nearly 200,000 new units of rental housing over the next five years by increasing federal tax credits for companies and individuals who invest in low-income housing. The proposal, which would increase the cap on tax credits by 40 percent, will be part of the federal budget presented to Congress next month.

Since the tax credit was instituted in 1986, more than 900,000 rental units for low-income families have been created, Gore said.

"It's not about a pie in the sky. It's about pie in the oven," the vice president told a packed house of community developers and leaders at Kennicott Park Field House, 4434 S. Lake Park.

Gore compared the tax credit to a magnet that brings people and investors back into blighted and nearly abandoned neighborhoods.

"The homes become a magnet for families to come back, and

families become the magnet for businesses to return," he said.

The proposal won praise from Paul Gogan, president of Local Initiatives Support Corp., which uses the tax credits to raise corporate funding for housing development and community revitalization. "It was a long time coming, and the implications of increasing the housing credit is enormous," he said.



RICHARD A. CHAPMAN/SUN-TIMES

Mayor Daley (from left) shares a laugh Tuesday with Vice President Al Gore and Sen. Carol Moseley-Braun at Kennicott Park Field House.

Chicago Tribune

Wednesday, January 14, 1998

METRO & STATE

Gore visits revitalized Kenwood

By Nancy Ryan
TRIBUNE STAFF WRITER

In 1987, Kenwood community leaders would hardly have believed that the new yet obscure federal financing tool they used to help build the neighborhood's first new housing in 40 years would set the stage for one of the country's most dramatic turn-arounds for an inner-city community.

Yet, because of additional housing and development that sprouted as a result of that decision, Vice President Al Gore came to Kenwood Tuesday to announce that the Clinton administration's proposed federal budget would include a dramatic increase in the program responsible for the change.

Under the proposed 1999 fiscal year budget, federal tax credits designed to encourage construction or renovation of low-income housing would be expanded by 40 percent over the next five years. Since its inception in 1986, officials say the program has generated more than 900,000 affordable rental units nationwide, including 9,216 in Chicago.

If approved by Congress, the expansion could lead to the devel-

opment of 36,000 to 40,000 more units nationwide—and some 500 to 1,000 units in Chicago—each year.

"We know this works," Gore said to more than 300 local housing activists and Kenwood residents at the Kennicott Park Field House. "This is not pie in the sky. This is pie in the oven."

Joined by some of the state's top Democrats, including Mayor Richard Daley, U.S. Sens. Carol

Moseley-Braun and Dick Durbin and U.S. Reps. Bobby Rush and Danny Davis, Gore toured the neighborhood, walking past new and renovated affordable housing on 46th Street.

The group also passed by newly constructed private homes along Oakenwald Avenue that sell for as much as \$300,000, prominent symbols of the private investment that's followed earlier projects

made possible by the tax credits.

Though most housing experts agree that the program has met only a fraction of the country's needs, it has proven to be the federal government's most important and successful method of encouraging private and not-for-profit development of affordable housing.

The credits make investment in poor communities more attractive for developers.



Tribune photo by José M. Osorio

Vice President Al Gore (left) is joined by Mayor Richard Daley and Kenwood resident Shirley Newson on a tour of the neighborhood Tuesday to see the progress in creation of affordable housing.



NATIONAL
EQUITY
FUND, INC.

An affiliate of
Local Initiatives Support Corporation (LISC)

NEWSBREAK

EXPANDING THE LOW-INCOME HOUSING TAX CREDIT: HELPING DEVELOP MORE AFFORDABLE RENTAL HOUSING IN URBAN AND RURAL COMMUNITIES

January 13, 1998

LISC and NEF played host to Vice President Al Gore in Chicago for the announcement of the increase in the Low Income Housing Tax Credit (LIHTC). Paul Grogan, President & CEO of LISC, introduced the Vice President who announced that the Administration's FY99 Budget includes a major expansion of the LIHTC. This includes increasing the cap on the LIHTC from \$1.25 per capital to \$1.75 per capita. The amount of the credit has not been increased since its creation in 1986 while building costs have increased nearly 40 percent. This proposal to increase the cap by 40 percent will not only restore the value of the credit to its 1986 level, but will provide another 150,000 - 180,000 quality rental housing units for low-income American families during the next five years. The cost of this proposal is \$1.6 billion over five years and is fully paid for in the Clinton-Gore Administration's FY99 budget.

While this announcement does not make the increase of the LIHTC a fact, it is very significant that it is included in the Administration's budget. President Clinton and Vice President Gore supported this change because they have seen the magnitude of improvement that is possible when housing projects such as those in which NEF invests serve as a catalyst for community change.

There is still much work to be done as this proposal goes through the congressional budgeting process. NEF will forward updates to you as the budget proceeds through Congress.

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Chicago Defender

Wednesday, January 14, 1998

Gore hits town with new affordable housing plan



Defender photo/Hank Martin

Vice President Al Gore joins other politicians and officials for a tour of the North Kenwood area on Tuesday during his visit to the city to tout a tax credit program to create affordable housing for low-income residents.

by Dalia Dangerfield

In a brief visit to the cold and windy city Tuesday, Vice President Al Gore announced the expansion of a tax credit program that would produce more affordable housing for low-income persons throughout the country.

"President Clinton and I are proposing a 40 percent increase in the low-income housing tax credit," Gore said. "We know this will work."

This proposal, which would build about 150,000 affordable units, will be part of the administration's next fiscal year budget.

"Americans of all income levels deserve safe, affordable housing," Gore said. "The expansion of the Low-Income Housing Tax Credit will help us meet that goal by providing incentives to the private sector to create quality rental housing for low-income Americans."

The credit has been vital in rebuilding communities, he said.

"The tax credit is a magnet for new homes," Gore said. "We're turning up the fire on these magnets."

New homes will bring new families and fam-

ilies will bring more businesses into the area.

"The whole community then attracts more investment," he said.

The revitalization of North Kenwood-Oakland is a prime example of the effectiveness of tax credits.

"The community is getting back to the way it's supposed to be," Gore said.

Gore began his visit with a guided walking tour of the affordable and market-rate homes in the North Kenwood neighborhood. He was joined by Chicago Mayor Richard M. Daley, U.S. Sens. Carol Moseley-Braun and Richard Durbin, U.S. Rep. Bobby Rush, Congressman Danny Davis, Ald. Toni Preckwinkle (4th) and other community activists.

"We got to the end of the walk and stopped," Gore said. "It was so cold that some people thought I was frozen stiff."

But he stood amazed and proud of the Kenwood revitalization. Moseley-Braun, who resides in Kenwood, called the walk "inspirational."

"We're witnessing an urban renaissance,"

(See GORE, page 23)

Gore promotes new housing program

(GORE, from page 1)

Gore said.

The neighborhood shows the hope, pride and loyalty of the community, he said.

"You can feel it even on a cold day," Gore said. "It works for everybody."

This revitalization shows what money, hard work and dedication can do, said Shirley Newsome, leader of the North Kenwood's Conservation Community Council.

"No longer are we ashamed to invite our friends and relatives over to our homes."

In about three weeks, construction workers will break ground on the new Lake Pointe Shopping Center in Kenwood.

"It's the first new supermarket in this area in more than 50 years," Gore said.

Although homes are being built and rehabbed and commercial development is increasing, empty lots and remnants of the

past still remains.

"Most of those vacant lots are accounted for," Newsome said.

The redevelopment of North Kenwood is part of the city's overall plan to create integrated and viable communities for people of all incomes.

"We do have affordable housing in Chicago," Rush said.

"But it's not enough. For every low-income home, there are eight low-income renters," Rush said.

Now that welfare recipients are looking for jobs, they are also looking for rental housing they can afford.

"We must make sure the cost of rent doesn't eat up these paychecks," Rush said.

Building costs and housing needs increase every year, Gore added.

"We have to be sensitive to the needs of the people who are renting."

Humoring the vice president



AP photo

Vice President Al Gore breaks out in laughter as he is introduced Tuesday at the Kennicott Park field house in Chicago with Mayor Richard Daley and Democratic Sen. Carole Moseley-Braun. Gore announced the expansion of a low-income housing tax credit to provide more affordable housing.

Only about 2 years early, Mayor Daley endorses Gore for 2000 presidential race

BY JIM ALLEN
Daily Herald Staff Writer

Chicago Mayor Richard M. Daley gave an early endorsement Wednesday to Vice President Al Gore's candidacy for president.

Daley made his comments after the city council meeting, a full 26 months before Illinois voters might help decide whether Gore should be the Democratic presidential nominee in 2000. By contrast, Daley has yet to say publicly who he supports for Illinois governor in the Democratic primary two months from now.

"I would endorse Al Gore. I mean, I firmly believe that he has been a good vice president, a good senator and he's been, from my perspective, on the issues that we deal with," Daley said.

The selection of Gore dovetailed with recent events, including Gore's visit this week to help raise money for Sen. Carol Moseley-Braun and to tour a South Side neighborhood making a rebound.

Daley and his wife, Maggie, also hosted Al and Tipper Gore for a weekend getaway in Chicago last October. That weekend included a boat tour with an architectural ex-

pert, a trip to the Goodman Theater to watch "Ma Rainey's Black Bottom," a brunch at the House of Blues and a trip to the Prairie Avenue Historic District and the National Vietnam Veterans Art Museum.

Daley also said he doesn't think the questions swirling about Gore's fund-raising activities in 1996 will damage him in the long run.

"No, because everybody does it ... Democrats, Republicans, liberals, independents, conservatives, the far left, the far right, the middle, they all do fund-raisers. Everybody knows that, and so that fund-raising is part and parcel of the Washington scene."

Daley said Gore has been helpful on issues such as federal crime legislation, low-income-housing tax credits, reshaping government, balancing the budget, and cleaning and re-developing abandoned industrial sites.

"All of the other issues that we deal with. I'd be very frank, he has been there for not only myself, but for the mayors of this country," Daley said. "We have dealt with a lot of issues there that people thought the Democrats could not basically deal with."

The Washington Post

AN INDEPENDENT NEWSPAPER

Easing the Housing Squeeze

AS PART of his forthcoming budget, the president will propose expansion of a program in which tax credits are used to help build low-income housing. The credits go to the investors who put up the capital. Without the credits, they'd likely invest in other projects with higher rates of return.

The expansion, which would be paid for by offsets elsewhere in the budget, seems to us a good idea. The current federal housing programs for the poor come nowhere close to meeting a growing need. There are subsidized units enough to accommodate only about a fourth of the households with incomes low enough to be eligible. More than half of all renters with incomes below the poverty line end up having to pay more than half their already thinly stretched incomes for rent.

But the budget agreement the president and Congress reached last year leaves little room for an increase in the conventional programs—public housing and vouchers—on the spending side of the budget. The catch-all budget category in which they fall is scheduled to be cut about 10 percent in real terms in the next several years. Nor would the current Congress likely vote for an increase even if the funds could be found. Administration-proposed increases in recent years have been turned down; the pattern is likely to be repeated this year. The tax credits are thus the only game in town.

The tax-credit program, begun in 1987, is larger than commonly realized. It has produced about 900,000 subsidized units in its short lifetime. That begins to approach the public-housing program in size, and the number of tax-credit units has been increasing at a rate of about 100,000 a year. The president would increase that by about a third.

The program, whose cost—the revenue loss to the Treasury—is now about \$3 billion a year, has been criticized in the past as inefficient. There are less oblique and better ways to get assistance to the poor, is the argument. But in recent years some of the middle-man costs that contributed to this inefficiency are said to have been reduced. The credits by themselves also don't result in low enough rents to help the very poor. Standing alone, this is thus a program less for the poor than for lower-middle-income households. But the pattern has become to use the credits in combination with other subsidies. In the end, that way, the program does serve a lot of poor families.

There will be some resistance in Congress to the tax-credit proposal. We hope in the end the resistance fades. There are always competing ways to spend money in a tight budget. But there ought to be an expansion of housing assistance, and this is, if not perhaps the best way, at least an acceptable way to achieve it.

Chicago Defender

- Saturday, January 17, 1998

Editorial

Make your feelings on wages, housing credits known

When President Clinton delivers his State of the Union Address on Jan. 27, he's expected to make a pitch for another increase in the minimum wage.

That's good news for the working poor — and when he proposes it — we encourage Congress to follow through on the measure immediately.

The amount of the proposed hike isn't known at this time, but with the minimum wage currently at a near-poverty-level \$5.15 an hour, almost

any kind of boost is most welcome.

One of the key proponents of another minimum wage boost — Massachusetts Sen. Edward Kennedy — wants an increase of \$2.10 an hour to \$7.25 an hour over the next five years, but he's bound to meet with massive resistance from Republican leadership, which has argued in the past that such a hike would force a major cutback in jobs.

Clinton last won higher pay for low-paid workers in 1996 from a reluctant

GOP-led Congress when it approved a two-tiered boost that upped minimum hourly salaries from a pitiful \$4.25 an hour to its current level — and jobs weren't lost. In fact, unemployment is at its lowest level in more than two decades.

On another White House matter, Vice President Gore was in town this week and he proposed a plan to expand tax credits designed to encourage construction or renovation of low-income housing.

And the proposal to increase a subsidy for such works is expected to go to Congress early next month.

Administration officials say expanding the credits would permit the development of up to 180,000 more housing units targeted for the poor over the next five years.

Both proposals are commendable and we urge you to write to, phone or fax your congressional representative to make your feelings on the matters known.

The New York Times

THE NEW YORK TIMES EDITORIALS/LETTERS

SUNDAY, JANUARY 18, 1998

Lifeline for Low-Cost Housing

Among all the leaks by the Clinton Administration from its forthcoming budget plan, one of the best is a proposed 40 percent hike in the tax credit for investors in housing for low-income families. This tax credit is focused and effective, an exception to the rule that tax credits are often a wasteful way to do the Government's business.

Once the Republicans took control of Congress in 1994, Mr. Clinton could not push through spending increases for his favorite purposes. To push his social agenda, the President had to resort to something the G.O.P. does like — tax cuts. He has proposed tax credits to help families buy day care and pay college tuition and to encourage businesses to hire welfare participants. Although these tax cuts can be defended politically, they are scattershot and expensive subsidies that only rarely

land on the poor families that need them most.

The low-income-housing tax credit is different. It goes mainly to corporations that invest money through nonprofit groups to construct or rehabilitate housing for the poor. Now that Congress has largely withdrawn from the direct financing of new housing, the tax credit, which costs about \$3 billion a year, accounts for over 90 percent of the low-cost housing built in the country, or some 100,000 units a year. The credit is the primary tool used by community development groups in New York, Chicago and other large cities to transform blocks ravaged by drug addicts and gangs into thriving neighborhoods. The Clinton plan could add 36,000 rental units each year. Every one is needed. There are now only enough publicly subsidized units to house one of every four families poor enough to qualify.

Chicago Shoreland News

Serving the African American Community for Over 20 Years

Saturday, January 24, 1998

VICE PRESIDENT ANNOUNCES NEW TAX POLICY



FRONT ROW (Left to Right): The Resurrection Project Executive Director , Raul Raymundo, Commissioner Julia Stasch, Reverend Arthur Brazier, Senator Carol Mosley-Braun, Vice President Al Gore, Mayor Richard M. Daley, Chairwoman of the Conservation Community Council Shirley Newsome, Congressman Bobby Rush, Senator Richard Durbin. **BACK ROW (Left to Right):** Planning Commissioner Chris Hill, Alderman Toni Preckwinkle, Congressman Danny Davis, LISC President Paul Grogan, HUD Assistant Secretary For Community Planning and Development Saul Ramirez

Citing the Low Income Housing Tax Credit as a key to revitalizing America's distressed communities. Vice President Al Gore announced today that the Clinton Administration will propose an unprecedented 40 percent increase in the Credit for the 1998 budget. The Credit is the federal government's most significant affordable housing production tool. Since its inception a decade ago, it has been responsible for the creation or rehab of more than 900,000 rental units for low income Americans. The increase will mean that an additional 30,000 to 36,000 homes can be made available annually, meeting a growing need for affordable housing in the nation's cities, suburbs and rural areas.

The Vice President's announcement came after he toured a Chicago South Side neighborhood which for years had been distinguished by abandoned buildings and more than 10,000 empty lots. Today though, that neighborhood is enjoying a visible renaissance. Joining Vice President Gore on the walking tour were Mayor Richard M. Daley, Senator Carol Moseley Braun, Paul Grogan of the Local Initiatives Support Corporation, and community developers and activists.

"For those who question whether federal policy can make a difference or if there is hope for distressed communities, the answer is here in North Kenwood," said the Vice President.

"After suffering 50 years of neglect, less than 10 years

after the first bricks were laid on a Housing Credit development, we can see the results-2,000 new homes for people of all incomes and ages, new commercial development, and new hope and confidence for the future. Until a decade ago, North Kenwood could have been a poster for the nation's urban ills. The housing stock was deplorable, businesses (and the jobs they provided) had fled, unemployment was rampant, the schools weak, crime severe and opportunity of any sort was rare.

But with the enactment of the Low Income Housing Tax Credit in the neighborhood began to change. Non-profit community-based-groups which had long searched for financing

Continue on page 4

New Tax Policy

to rebuild abandoned sites and buildings found that the Housing Credit represented a new source of equity from the private sector. In 1987 ground was broken for the first new housing in North Kenwood in more than 40 years. Those buildings, financed by the Housing Credit, caught the attention of other community and corporate leaders who recognized that investing in the neighborhood was good business. Since then, nearly 2,000 units of new housing have been created in North Kenwood, ranging from Housing Credit financed apartments to moderate income homes for middle income families, to high end single-family

Continued on Page 9

NEW TAX POLICY

homes and condominiums priced at more than \$300,000. The commercial establishments necessary to sustain the occupants of those houses and apartments is following. In July, 1997, ground was broken for The Lake Park Pointe Shopping Center to be constructed at 47th Street and Lake Park Avenue. This complex will be anchored by a 60,000-square-foot grocery store-the first to be built in the neighborhood in decades- and will house needed services, many of which will be provided by neighborhood entrepreneurs.

"Change doesn't happen overnight," said Mayor Daley, "but the evolution of

North Kenwood is a striking example of how a community that once seemed beyond hope can turn the corner. Local activists committed to renewal, working with the City and the private sector and with federal policies that support, not dictate, the shape of change- what we have here is a formula for success. The unprecedented renewal here in the last several years is a credit to the work of community development corporations, LISC, private corporations and the policies of the Clinton Administration."

"What we're seeing is the assembly of many pieces into something whole," said Dr. Arthur M. Brazier,

whose Fund for Community Redevelopment and Revitalization has been an important force in North Kenwood's renewal. "The

affordable and market-rate housing construction, the schools, the new retail establishments - each is dependent on the other.

The Chicago Crusader

Saturday, January 24, 1998

V.P. announces new federal tax policy for affordable housing

Vice President Gore joins Mayor Daley, community leaders in Chicago's North Kenwood neighborhood, increases Housing Tax Credit cap by 40 percent.

Citing the Low Income Housing Tax Credit as a key to revitalizing America's distressed communities, Vice President Al Gore announced recently that the Clinton Administration will propose an unprecedented 40 percent increase in the 1998 budget. The Credit is the federal government's most significant affordable housing production tool. Since its inception a decade ago, it has been responsible for the creation or rehab of more than 900,000 rental units for low income Americans. The increase will mean that an additional 30,000 to 36,000 homes can be made available annually, meeting a growing need for affordable housing in the nation's cities, suburbs and rural areas.

The Vice President's announcement came after he toured a Chicago South Side neighborhood which for years had been distinguished by abandoned buildings and more than 10,000 empty lots. Today, though, that neighborhood is enjoying a visible renaissance. Joining vice President Gore on the walking tour were Mayor Richard M. Daley, Senator Carol Moseley-Braun, Paul Grogan of the Local Initiatives Support Corporation, and community developers and activists.

"For those who question whether federal policy can make a difference or if there is

hope for distressed communities, the answer is here in North Kenwood," said the Vice President. "After suffering 50 years of neglect, less than 10 years after the first bricks were laid on a Housing Credit development, we can see the results — 2,000 new homes for people of all incomes and ages, new commercial development, and new hope and confidence for the future.

"Knowing that these modest investments can mean great change in places like Kenwood, the South Bronx or Watts or Detroit, it is incumbent on us to provide the opportunity for pervasive change. Thus, we are proposing an increase of 40 percent for the Housing Credit — a program which has not only produced needed housing, but has harnessed the energies of the private sector in the service of community revitalization in a manner never seen before."

Until a decade ago, North Kenwood could have been a poster for the nation's urban ills. The housing stock was deplorable, businesses (and the jobs they provided) had fled, unemployment was rampant, the schools weak, crime severe and opportunity of any sort was rare.

But with the enactment of the Low Income Housing Tax Credit in 1986, the neighborhood began to change. Non-profit community based groups which had long searched for financing to rebuild abandoned sites and buildings found that the Housing Credit represented a new source of equity from the private sector. In 1987 ground was broken for the first new housing in North Kenwood in more than 40 years. Those buildings, financed by the Housing Credit, caught the attention of other community and corporate leaders who recognized that investing in the neighborhood was good business. Since then, nearly 2,000 units of new housing have been created in North Kenwood, ranging from Housing Credit financed apartments to moderate income homes for middle income families, to high end single-family homes and condominiums priced at more than \$300,000. The commercial establishments necessary to sustain the occupants of those houses and apartments is following. In July, 1997, ground was broken for The Lake Park Pointe Shopping Center to be constructed at 47th Street and Lake Park Avenue. This complex will be anchored by a 60,000-square-foot grocery store — the first to be

built in the neighborhood in decades – and will house needed services, many of which will be provided by neighborhood entrepreneurs.

“Change doesn’t happen overnight,” said Major Daley, “but the evolution of North Kenwood is a striking example of how a community that once seemed beyond hope can turn the corner. Local activists committed to renewal, working the City and the private sector and with federal policies that support, not dictate, the shape of change – what we have here is a formula for success. The unprecedented renewal here in the last several years is a credit to the work of community development corporations, LISC, private corporations and the policies of the Clinton Administration.”

“What we’re seeing is the assembly of many pieces into something whole,” said Dr. Arthur M. Brazier, whose Fund for Community Redevelopment and Revitalization has been an important force in North Kenwood’s renewal. “The affordable and market-rate housing construction, the schools, the new retail establishments – each is dependent on the other. Each is a strong, necessary link. That’s the definition of a healthy community and the partnerships among all gathered here today is making this happen.”

“The implications of increasing the Housing Credit are enormous,” said Paul Grogan, president of LISC, the nation’s largest non-profit community development support organization which uses the Housing Credit to raise corporate dollars for use by community

based non-profits to develop housing as part of their overall revitalization efforts. “When you look at the South Bronx and North Kenwood and other urban areas that have proven blight is a temporal state, you get a sense of the extraordinary ability of local community organizations, in partnership with government and private investors, to redefine the urban landscape. What has been created in the past decades with programs like the Housing Credit, HUD’s HOME and block grant programs, and other federal policies that support local endeavors is a new architecture for the rebuilding of American communities. The increase in the Housing Credit will make such transitions more complete and more frequent.”

LISC pioneered use of the Housing Credit, and is the nation’s largest non-profit Housing Credit syndicator, having raised more than \$2 billion from leading corporations and invested it through its National Equity Fund, Inc. The result has been the creation of more than 40,000 rental apartments and homes developed or sponsored by non-profit community development corporations throughout the nation.

Gore’s announcement means that the amount of Housing Credit states may allocate each year will increase from \$1.25 per capita, where it was set when the program was created in 1986 as part of the Tax Reform Act of that year, to \$1.75. It is expected that the cap boost will generate the construction of 30,000 to 36,000 additional units of affordable housing each year (beyond the

75,000 to 90,000 currently generated annually by the Housing Credit), amounting to a \$1.6 billion increase over the next five years. The Housing Credit enjoys broad bi-partisan support. Senators Alfonse D’Amato (R-NY) and Bob Graham (D-FL) Congressman John Ensign (R-NV), Amo Houghton (R-NY), Charles Rangel (D-NY) and Ben Cardin (D-MD) recently introduced legislation that would raise the cap and thereafter index it to inflation.

“The redevelopment of North Kenwood has been the result of a number of serendipitous factors,” said 4th Ward Alderman Toni Preckwinkle. “Strong mayoral support, help from the Departments of Development and Planning and Housing; intense community participation; and the adroit use of a variety of revitalization tools. I’m grateful to all the actors who have made it possible.”

Shirley Newsome, a neighborhood resident whose North Kenwood Oakland Conservation Community Council has been involved in many aspects of new development, spoke for all of those who stuck with North Kenwood through the lean times.

“We were not content to let things slip away,” she said, “and we hope that the example we set here will inspire people in other communities – both in Chicago and across the country – to take their neighborhoods back. The government has developed a policy – linking community-based corporations with private investors – to do that. There’s no excuse not to.”



FRONT ROW (Left to Right): The Resurrection Project Executive Director Raul Raymundo, Commissioner Julia Stasch, Reverend Arthur Brazier, Senator Carol Moseley-Braun, Vice President Al Gore, Mayor Richard M. Daley, Chairwoman of the Conservation Community Council Shirley Newsome, Congressman Bobby Rush, Senator Richard Durbin. **BACK ROW (Left to Right):** Planning Commissioner Chris Hill, Alderman Toni Preckwinkle, Congressman Danny Davis, LIISC President Paul Grogan, HUD Assistant Secretary Saul Rameriez.

"Two Bi-Partisan Cheers for Government That Works"

By John N. Varones

Public officials running for every office from county clerk to Congress have received one resounding message from the voters: taxpayers want their money's worth from government.

The electorate believes that government can play a role in the lives of Americans and can be a vehicle for achieving the public good. But most citizens believe that changes are needed to the structure and function of government. In short, Americans want a government that works.

On January 13, in the revitalizing south side Chicago neighborhood of Kenwood, Vice President Al Gore unveiled the centerpiece of the Clinton administration's urban agenda: a 40 percent increase in the Low Income Housing Tax Credit. The housing credit was the catalyst behind the first new housing in Kenwood in over 40 years. This sophisticated financing vehicle, responsible for over 900,000 units of affordable housing nationwide, has spurred similar rebirths in other urban centers throughout America.

The Housing credit is arguably the federal government's most successful effort at incentivizing the private and non-profit sectors to develop, own, and manage affordable housing. Indeed, the credit enjoys bipartisan support from President Clinton and Vice-President Gore to such prominent republicans as Sen. Alfonse D'Amato (R-NY) chairman of the Senate Banking Committee and Rep. Jerry Weller (R-Ill.) who sits on the House Ways and Means Committee. As this urban development initiative navigates its way through the U.S. House and Senate, the merits of this market-driven and decentralized program will become evident. They bear repeating now.

The Low Income Housing Tax Credit: Government That Works

Of all the attempts to breath economic life into our inner cities, the housing credit--through the helping hand of the private marketplace--stands as a notable example of a government program that has yielded a return on taxpayers' investment. Functioning since 1987, it has become the lifeblood of affordable rental housing development. The impact of the housing credit can be understood by all: on average, the credit accounts for more than 90 percent of all affordable rental housing created in the United States today.

Apartment developments that utilize the housing credit must rent to individuals or families at or below 60 percent of the median income and charge rents roughly 25 percent below market rents. In effect, this highly effective program is helping a forgotten constituency--the "working poor", those that aspire to better their lives by,

Increase in Housing Tax Credit May Help Raise Bond Cap

By Craig T. Ferns

The Clinton administration's proposed 40% increase in the low-income housing tax credit may bode well for the municipal market's campaign to get the private-activity bond volume cap raised this year, market participants said yesterday.

"I'm more optimistic about the push to get the bond volume cap raised after the administration's announcement that it will



John McEvoy

propose an increase in the low-income credit," said John T. McEvoy, executive director of the National Council of State Housing Agencies.

His comments came after Vice President Al Gore announced Tuesday in Chicago

that in its fiscal 1999 budget plan the administration will propose raising the low-income tax credit states may allocate to developers each year to \$1.75 per state resident from the current \$1.25, which was set when the tax credit program was started in 1986.

"This will be very helpful and is progress," McEvoy said.

However, the state housing agency lobbyist said he is disappointed that the administration's plan, which is to go to Congress Feb. 2, does not include indexing the credit for future inflation as several members of Congress proposed in legislation introduced last year.

"The 40% increase will restore the value of the credit to what it was in 1986, but

it won't help with future inflation," McEvoy said.

"Treasury officials would not go along with indexing," he added.

Despite that setback, McEvoy and other market participants said yesterday they believe that the administration's push to increase the housing credit means that President Clinton might sign legislation to raise the overall private-activity bond cap if Congress passed it.

Several members of Congress have proposed raising the state-by-state private-activity bond volume cap to \$75 per capita from the current \$50 limit, while increasing the small state limit from \$150 million to \$250 million.

Although the administration is not expected to propose an increase in the private activity cap, McEvoy said he does not think Clinton would block it.

"The ground is fundamentally different [for chances of increasing the volume cap] than it has been in past years," he said.

The increased credit, which is to be part of a modest package of tax cuts totaling about \$23 billion over five years to be included in Clinton's budget, is estimated to cost \$1.6 billion over five years.

But McEvoy said that cost makes him optimistic over the odds for approval of an increase in the private-activity volume cap because that measure would only cost \$1 billion over the same period.

However, he pointed out that the White House has said that Clinton's budget plan will include offsets to any tax-cut proposals. While a White House description of the credit plan did not identify any offsets, McEvoy indicated he fears any such offsets could involve

housing or tax-exempt bond programs.

Scot Barker, president of Denver-based Newman and Associates Inc., said the proposed increase in the tax credit should be good for the low-income market in general, but hopes it will lead to an increase in the private-activity bond volume cap.

"The proposal to raise the credit certainly seems to indicate that the administration is willing to take a look at the overall volume cap," he said.

The proposed increase in the credit is expected to result in the creation of 30,000 to 36,000 more low-income rental units per year beyond the 75,000 to 90,000 per year the credit now generates. But lobbyists said it will not reduce the number of multi-family bonds that are issued in conjunction with the credit.

Under the program, developers can receive either the full credit or take a reduced credit and use it in conjunction with tax-exempt multi-family bonds.

"The increased credit would not change the degree of bond issuance because two to three times more credits are requested than are available and there will still be demand for the credit-bond combination," one lobbyist said.

However, Robin Salomon, a Bethesda, Md.-based consultant and developer, said the increase in the credit, which he estimates could add close to \$1 billion in new equity to the low-income market per year, might at least take some pressure off the unified private-activity volume cap, which limits the issuance of tax-exempt bonds for single- and multi-family housing, student loans, and industrial development projects. □

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climbing the ladder of upward mobility. The housing credit also has a corollary effect, in that decent and affordable housing within a community not only provides shelter, but also gives the poor better access to jobs, good schools and a safe environment to raise a family.

Market-Driven with a Social Purpose

The virtues of the housing credit are not yet widely known because of the program's complexity. The housing credit is structured as a block grant to state housing finance agencies, whereby credits are awarded to private developers who in turn syndicate (sell) the credits to corporations. The proceeds from the purchase of the credits are converted to equity that finances roughly 30 to 40 percent of the development cost, making these corporations limited partners/owners in the housing.

The housing credit relies on a public-private partnership, in that private developers, subject to the dynamics of the rental housing markets, develop, own and manage the housing. Government plays the role of catalyst by encouraging private interests to invest equity in affordable housing projects by offering corporations a dollar-for-dollar credit on their federal tax liability.

Capital Markets Approach to Pricing and Selling the Credit

A liquid and efficient free market links developers with the corporate buyers of credits. Corporations exercise prudent investment decision-making in selecting projects and overseeing their development and long-term operations. The corporate investors, acting as equity shareholders in the housing development, are vigilant in safeguarding the value of their investment--thereby assuring quality and well-maintained housing.

An active primary market for credits has evolved, pushing the price of the credit up from 40 cents on the dollar at the program's inception to 70 cents on the tax credit dollar today. The proposed 40 percent increase in the tax credit (from \$1.25 to \$1.75 per capita) would lend stability and predictability to the program, further bidding up the price that corporations are willing to pay for the credit.

Avoiding Washington's "One-Size-Fits-All" Solution

Functioning as a block grant, the housing credit program allows states to tailor solutions to local affordable housing needs. States are closer to the housing markets than any federal bureaucracy and therefore better understand the housing needs of their states. The credit program provides flexibility for states to support a variety of physical types of housing in order to comply with zoning and architectural requirements. The multitude of housing possibilities include everything from garden style apartments to high rises to town homes, all depending on the desires and needs of the community. States also have the latitude to target particular populations. In Illinois, we have served many constituencies, from the frail elderly to homeless individuals to working families.

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As groups rush to spend the much ballyhooed budget surplus, we should pause and consider investing in government programs that yield a return on taxpayers' dollars. The housing credit is one such investment that harnesses market forces in an efficient and effective manner to achieve a social good. With a 10 year track record of results, the housing credit is a rock-solid foundation on which to build a housing and urban agenda for the twenty-first century.

John N. Varones is the Executive Director of the Illinois Housing Development Authority, the managing agency for the Housing Credit program in Illinois.

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

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

- **Increasing the Cap on the LIHTC from \$1.25 Per Capita to \$1.75 Per Capita.** Since the creation of the LIHTC in 1986, each state has been provided \$1.25 per capita of housing tax credits to allocate to developers of affordable housing. Even though building costs have increased nearly 40 percent in the last decade, the amount of the credit has not been adjusted for inflation. President Clinton and Vice-President Gore will propose to increase the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita — restoring the value of the credit to its 1986 level. *This proposal will cost \$1.6 billion over five years and is fully paid for in the Clinton-Gore Administration's FY99 budget.*
- **This Expansion Will Help Develop An Additional 150,000-180,000 Affordable Housing Units Over the Next Five Years.** Estimates suggest that the LIHTC currently helps develop 75,000-90,000 affordable housing units each year. The President and Vice President's proposal to increase the cap by 40 percent will mean an additional 150,000-180,000 quality rental housing units for low-income American families during the next five years.
- **The Low-Income Housing Tax Credit Works.** Until the LIHTC was made permanent by President Clinton and Vice-President Gore in 1993, it was not working efficiently. With Congress extending the credit for only short periods of time — the credit was set to expire in 1989, then 1990, then 1991, and then 1992 — investors were not always willing to put money down for a long-term chance on low-income housing. Now, with the credit permanent, it is nearly fully utilized: in 1996, 97 percent of the available credits were allocated — the remaining were either carried over to 1997 or reallocated among the states.
 - *Washington Post, October 19, 1995:* "The program's goal is to produce rental housing for poor people, and by almost any measure it has been wildly successful."
 - *Chicago Sun-Times, December 21, 1997:* "The [Low-Income Housing] tax credit is one of the few Washington success stories. It helps construct new housing for low-income tenants as a public-private partnership... it is exactly the kind of program Americans should be demanding of the federal government."
- **Expanding the LIHTC Is Necessary To Meet the Demand for the Credit and the Demand for Affordable Housing.** While state housing agencies had \$392 million worth of tax credits to allocate, developers *requested* more than \$1.1 billion in credits in 1996 — that means that demand for the credits exceed supply by nearly 3 times. With such excess demand, an expanded LIHTC is needed and competition will remain fierce for the additional credits. Moreover, there are an estimated 5 million American families living in inadequate housing. Expanding the LIHTC — along the rest of the Clinton-Gore Administration's agenda to empower communities — helps to address the housing needs of American families.

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

HOW DOES THE LOW-INCOME HOUSING TAX CREDIT WORK?

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

Editorial

The New York Times
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January 18, 1998

Lifeline for Low-Cost Housing

Among all the leaks by the Clinton Administration from its forthcoming budget plan, one of the best is a proposed 40 percent hike in the tax credit for investors in housing for low-income families. This tax credit is focused and effective, an exception to the rule that tax credits are often a wasteful way to do the Government's business.

Once the Republicans took control of Congress in 1994, Mr. Clinton could not push through spending increases for his favorite purposes.

To push his social agenda, the President had to resort to something the G.O.P. does like -- tax cuts. He has proposed tax credits to help families buy day care and pay college tuition and to encourage businesses to hire welfare participants. Although these tax cuts can be defended politically, they are scattershot and expensive subsidies that only rarely land on the poor families that need them most.

The low-income-housing tax credit is different. It goes mainly to corporations that invest money through nonprofit groups to construct or rehabilitate housing for the poor.

Now that Congress has largely withdrawn from the direct financing of new housing, the tax credit, which costs about \$3 billion a year, accounts for over 90 percent of the low-cost housing built in the country, or some 100,000 units a year. The credit is the primary tool used by community development groups in New York, Chicago and other large cities to transform blocks ravaged by drug addicts and gangs into thriving neighborhoods. The Clinton plan could add 36,000 rental units each year.

Every one is needed. There are now only enough publicly subsidized units to house one of every four families poor enough to qualify.

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Houston Chronicle

2/12/1998

HEARTH AND HOME

Increase Texas' ability to provide affordable housing

There is a dearth of housing in Texas that is affordable for nurses, secretaries, firefighters, teachers and others who put in solid 40-plus hour work weeks. At a minimum, those who work hard, pay their bills and pay their taxes ought to be able to find a suitable house or apartment at a reasonable price.

To this end, two bills are pending before the Congress that would encourage increased affordable housing construction by the private sector. One is SB 1251 -- HB 979 in the House -- which proposes to raise the limit on tax-exempt private-sector bonds that Texas and other states are authorized to sell. Such bonds are used to finance low-interest mortgage loans for first-time home buyers and the construction of affordable rental developments.

Such bonds also may be used to pay for student loans and industrial development, but it was requests for housing bonds that increased three-fold from 1996 to 1997 -- which points out Texas' acute need for affordable housing. Texas' 1997 bonding capacity was \$956 million based on the current \$50 per capita bond cap. By increasing the cap to \$75, Texas will be better prepared to meet the needs of the 1.9 million families it is estimated will need some sort of housing assistance by 2000.

The second bill, SB 1252, proposes to increase the low-income housing tax credit. If expanded, this tax credit, designed to reduce federal income taxes for those who invest in the construction of affordable rental property, could increase housing availability to low-income, disabled, elderly people on fixed incomes, the working poor and other struggling Texans.

Furthermore, raising Texas' allocation of these tax credits from \$1.25 to \$1.75 per capita, as proposed, would swell the flow of private capital into this state.

States' low-income housing tax credit allocations and their tax-exempt private-sector bond caps have not changed since 1986. Since then, inflation has severely eroded the effectiveness of these two tools to meet basic housing needs. There are other pending bills that address these housing problems. Passing some combination of legislation with bipartisan support will help provide one of the most basic necessities -- a roof over one's own or one's family's head.

L1H7C

A22 THURSDAY, JANUARY 15, 1998

The Washington Post

AN INDEPENDENT NEWSPAPER

Easing the Housing Squeeze

AS PART of his forthcoming budget, the president will propose expansion of a program in which tax credits are used to help build low-income housing. The credits go to the investors who put up the capital. Without the credits, they'd likely invest in other projects with higher rates of return.

The expansion, which would be paid for by offsets elsewhere in the budget, seems to us a good idea. The current federal housing programs for the poor come nowhere close to meeting a growing need. There are subsidized units enough to accommodate only about a fourth of the households with incomes low enough to be eligible. More than half of all renters with incomes below the poverty line end up having to pay more than half their already thinly stretched incomes for rent.

But the budget agreement the president and Congress reached last year leaves little room for an increase in the conventional programs—public housing and vouchers—on the spending side of the budget. The catch-all budget category in which they fall is scheduled to be cut about 10 percent in real terms in the next several years. Nor would the current Congress likely vote for an increase even if the funds could be found. Administration-proposed increases in recent years have been turned down; the pattern is likely to be repeated this year. The tax credits are thus the only game in town.

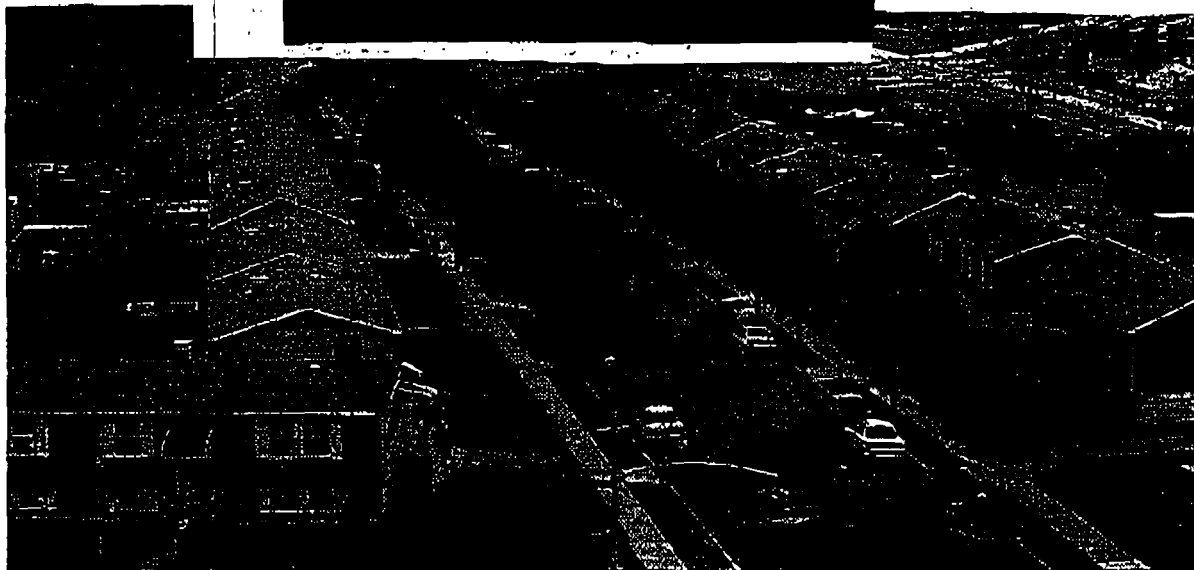
The tax-credit program, begun in 1987, is larger than commonly realized. It has produced about 900,000 subsidized units in its short lifetime. That begins to approach the public-housing program in size, and the number of tax-credit units has been increasing at a rate of about 100,000 a year. The president would increase that by about a third.

The program, whose cost—the revenue loss to the Treasury—is now about \$3 billion a year, has been criticized in the past as inefficient. There are less oblique and better ways to get assistance to the poor, is the argument. But in recent years some of the middle-man costs that contributed to this inefficiency are said to have been reduced. The credits by themselves also don't result in low enough rents to help the very poor. Standing alone, this is thus a program less for the poor than for lower-middle-income households. But the pattern has become to use the credits in combination with other subsidies. In the end, that way, the program does serve a lot of poor families.

There will be some resistance in Congress to the tax-credit proposal. We hope in the end the resistance fades. There are always competing ways to spend money in a tight budget. But there ought to be an expansion of housing assistance, and this is, if not perhaps the best way, at least an acceptable way to achieve it.

USA TODAY

4A • TUESDAY, JANUARY 13, 1998 • USA TODAY



By Roberto Matthews, AP

Charlotte Gardens: Tax credits were highlighted last December when President Clinton visited the South Bronx in New York and walked streets of new single-family homes. A few years ago those streets were part of a decaying landscape.

Gore to pitch tax-credit plan for low-income housing

By William M. Welch
USA TODAY

WASHINGTON — President Clinton's new federal budget will propose a 40% expansion of tax credits designed to encourage construction or renovation of low-income housing.

Vice President Gore plans to announce the initiative today in the Kenwood-Oakland neighborhood on Chicago's South Side, where redevelopment of once-blighted streets has been fueled by the federal tax credits.

The proposal to increase the credits by \$1.6 billion over five years is the latest in a series of narrowly targeted tax incentives the administration has unveiled as part of its budget proposal for fiscal 1999. Clinton will send that plan to Congress early next month.

Administration officials said expanding the credits as Clinton proposes would permit the development of 150,000 to 180,000 more housing units over the next five years. Currently, about 75,000 to 90,000 housing units per year are

built or substantially refurbished with tax-credit financing.

The tax credits are an arcane but largely successful tax provision begun in 1986 under the Reagan administration and made permanent in 1993 with Clinton administration support.

The program is designed to help steer private financing to inner-city housing programs. Tax credits are allocated to the states, which offer them to developers through competitive bids. The developers in turn offer them to private investors, who put capital into the housing projects in return for credits that they use to lower their corporate income tax bills over 10 years.

Paul Logan, head of a nonprofit group that provides technical assistance to inner-city projects, said that the federal tax credits are responsible for covering 40% to 50% of the costs of building or refurbishing housing in typical low-income housing developments.

"That allows you to keep the rents sufficiently low so a poor working family can afford to be in the housing," said Logan, president of the Lo-

cal Initiatives Support Corporation.

The program has enjoyed bipartisan support. Rep. Rick Lazio, R-N.Y., chairman of the House housing subcommittee, called the credit a "flexible, creative tool" and said he is co-sponsoring a bill that would similarly increase the program's size. He said Republicans also want to adopt some minor program reforms recommended by a recent congressional study.

"From a Republican standpoint, if we were devising a new housing tool, it probably would look very much like the low-income housing tax credit," Lazio said. "It's anti-bureaucratic. It's been very successful."

The tax credits were highlighted last December when Clinton visited the South Bronx in New York City and walked streets now lined with freshly built single-family homes. Only a few years ago those streets were part of a decaying landscape and a symbol of national urban failure.

The administration's proposal will be financed by offsetting spending reductions or tax provisions, although details were not available.

WEDNESDAY, JANUARY 14, 1998

Clinton Proposes Bigger Tax Credit On Homes for Poor

By ROCHELLE SHARPE

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Clinton administration will propose a 40% increase in the tax credit for building low-income housing, Vice President Al Gore announced.

The plan, to be part of President Clinton's fiscal 1999 budget proposal, would cost \$1.6 billion over the next five years and could result in 36,000 more rental units annually during that period. States could increase the credits they allocate to housing developers — who in turn sell them to corporations or individual investors — to \$1.75 a state resident from \$1.25, the amount set when the tax-credit program was created in 1986.

"This means more projects will be funded," said Paul Grogan, president of the Local Initiatives Support Corp., a New York-based group that raises money for housing development. "This may begin to reduce the enormous crunch" in the low-income housing market. Five million families now pay more than 50% of their incomes for rent or live in dilapidated housing, he said.

The existing tax credit has been used to build 75,000 to 90,000 low-income rental units each year, or a total 900,000 homes since 1986. Housing advocates have long clamored for an increase in the tax credit, saying inflation has eroded the credit's purchasing power by 45% since 1986. They want the credit raised to \$1.75 a resident in the fiscal 1999 budget and indexed for inflation in coming years.

The proposed increase is part of a package of modest tax cuts, totaling about \$23 billion over five years, to be included in Mr. Clinton's budget. The president has announced tax-cut proposals affecting child care, carbon emissions, education and pension coverage. Mr. Clinton also is expected to propose extending various tax credits due to expire this year, including one designed to encourage corporate research and development.

Chicago Tribune

Wednesday, January 14, 1998

METRO & STATE

Gore visits revitalized Kenwood

By Nancy Ryan
TRIBUNE STAFF WRITER

In 1987, Kenwood community leaders would hardly have believed that the new yet obscure federal financing tool they used to help build the neighborhood's first new housing in 40 years would set the stage for one of the country's most dramatic turn-arounds for an inner-city community.

Yet, because of additional housing and development that sprouted as a result of that decision, Vice President Al Gore came to Kenwood Tuesday to announce that the Clinton administration's proposed federal budget would include a dramatic increase in the program responsible for the change.

Under the proposed 1999 fiscal year budget, federal tax credits designed to encourage construction or renovation of low-income housing would be expanded by 40 percent over the next five years. Since its inception in 1986, officials say the program has generated more than 900,000 affordable rental units nationwide, including 9,218 in Chicago.

If approved by Congress, the expansion could lead to the devel-

opment of 36,000 to 40,000 more units nationwide—and some 500 to 1,000 units in Chicago—each year.

"We know this works," Gore said to more than 300 local housing activists and Kenwood residents at the Kennicott Park Field House. "This is not pie in the sky. This is pie in the oven."

Joined by some of the state's top Democrats, including Mayor Richard Daley, U.S. Sens. Carol

Moseley-Braun and Dick Durbin and U.S. Reps. Bobby Rush and Danny Davis, Gore toured the neighborhood, walking past new and renovated affordable housing on 46th Street.

The group also passed by newly constructed private homes along Oakenwald Avenue that sell for as much as \$300,000, prominent symbols of the private investment that's followed earlier projects

made possible by the tax credits.

Though most housing experts agree that the program has met only a fraction of the country's needs, it has proven to be the federal government's most important and successful method of encouraging private and not-for-profit development of affordable housing.

The credits make investment in poor communities more attractive for developers.



Tribune photo by José M. Osorio

Vice President Al Gore (left) is joined by Mayor Richard Daley and Kenwood resident Shirley Newson on a tour of the neighborhood Tuesday to see the progress in creation of affordable housing.

Chicago Sun-Times

JAN-16-1998 15:56

8

Chicago Sun-Times **METRO** Wednesday, January 14, 1998

Low-income rental housing target of tax-credit plan

BY LEON PUTT
BUSINESS REPORTER

Vice President Al Gore said Tuesday in Chicago that the administration will propose increasing tax credits to spur development of low-income rental housing in distressed areas.

Gore announced the budget proposal after a tour of the Kenwood-Akland neighborhood, a revitalizing South Side community where a mix of private and public investments has helped change the face of the once-blighted area.

In the last 10 years, more than 100 units of new and rehabilitated housing have been developed here, many of them rental units for low- and moderate-income families.

The tax credits have helped build roughly 34,000 units of low-income housing in Illinois, including more than 11,000 in Chicago, said Sen. Carol Moseley-Braun (D-Ill.), who accompanied Gore on the tour along with Mayor Daley and

several other elected officials and community leaders.

The proposal is designed to spur the development of nearly 200,000 new units of rental housing over the next five years by increasing federal tax credits for companies and individuals who invest in low-income housing. The proposal, which would increase the cap on tax credits by 40 percent, will be part of the federal budget presented to Congress next month.

Since the tax credit was instituted in 1986, more than 900,000 rental units for low-income families have been created, Gore said.

"It's not about a pie in the sky. It's about pie in the oven," the vice president told a packed house of community developers and leaders at Kennicott Park Field House, 4434 S. Lake Park.

Gore compared the tax credit to a magnet that brings people and investors back into blighted and nearly abandoned neighborhoods.

"The homes become a magnet for families to come back, and

families become the magnet for businesses to return," he said.

The proposal won praise from Paul Grogan, president of Local Initiatives Support Corp., which uses the tax credits to raise corporate funding for housing development and community revitalization. "It was a long time coming, and the implications of increasing the housing credit is enormous," he said.



RICHARD A. CHAPMAN/SUN-TIME

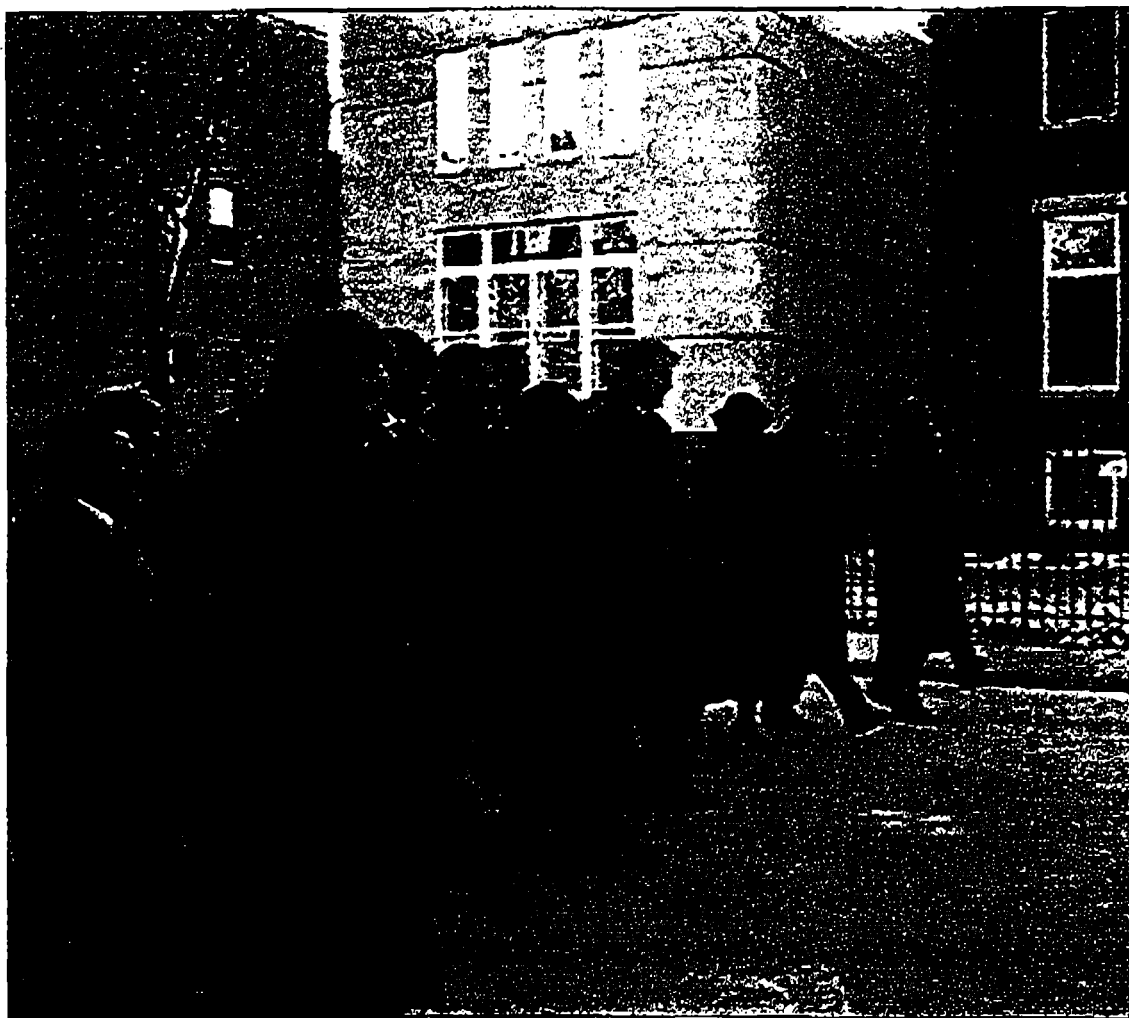
Mayor Daley (from left) shares a laugh Tuesday with Vice President Al Gore and Sen. Carol Moseley-Braun at Kennicott Park Field House.

P.06/13

Chicago Defender

Wednesday, January 14, 1998

Gore hits town with new affordable housing plan



Defender photo/Hank Martin

Vice President Al Gore joins other politicians and officials for a tour of the North Kenwood area on Tuesday during his visit to the city to tout a tax credit program to create affordable housing for low-income residents.

by Dalia Dangerfield

In a brief visit to the cold and windy city Tuesday, Vice President Al Gore announced the expansion of a tax credit program that would produce more affordable housing for low-income persons throughout the country.

"President Clinton and I are proposing a 40 percent increase in the low-income housing tax credit," Gore said. "We know this will work."

This proposal, which would build about 150,000 affordable units, will be part of the administration's next fiscal year budget.

"Americans of all income levels deserve safe, affordable housing," Gore said. "The expansion of the Low-Income Housing Tax Credit will help us meet that goal by providing incentives to the private sector to create quality rental housing for low-income Americans."

The credit has been vital in rebuilding communities, he said.

"The tax credit is a magnet for new homes," Gore said. "We're turning up the fire on these magnets."

New homes will bring new families and fam-

ilies will bring more businesses into the area.

"The whole community then attracts more investment," he said.

The revitalization of North Kenwood-Oakland is a prime example of the effectiveness of tax credits.

"The community is getting back to the way it's supposed to be," Gore said.

Gore began his visit with a guided walking tour of the affordable and market-rate homes in the North Kenwood neighborhood. He was joined by Chicago Mayor Richard M. Daley, U.S. Sens. Carol Moseley-Braun and Richard Durbin, U.S. Rep. Bobby Rush, Congressman Danny Davis, Ald. Toni Preckwinkle (4th) and other community activists.

"We got to the end of the walk and stopped," Gore said. "It was so cold that some people thought I was frozen stiff."

But he stood amazed and proud of the Kenwood revitalization. Moseley-Braun, who resides in Kenwood, called the walk "inspirational."

"We're witnessing an urban renaissance."

(See GORE, page 23)

Gore promotes new housing program

(GORE, from page 1)

Gore said.

The neighborhood shows the hope, pride and loyalty of the community, he said.

"You can feel it even on a cold day," Gore said. "It works for everybody."

This revitalization shows what money, hard work and dedication can do, said Shirley Newsome, leader of the North Kenwood's Conservation Community Council.

"No longer are we ashamed to invite our friends and relatives over to our homes."

In about three weeks, construction workers will break ground on the new Lake Pointe Shopping Center in Kenwood.

"It's the first new supermarket in this area in more than 50 years," Gore said.

Although homes are being built and rehabbed and commercial development is increasing, empty lots and remnants of the

past still remains.

"Most of those vacant lots are accounted for," Newsome said.

The redevelopment of North Kenwood is part of the city's overall plan to create integrated and viable communities for people of all incomes.

"We do have affordable housing in Chicago," Rush said.

"But it's not enough. For every low-income home, there are eight low-income renters," Rush said.

Now that welfare recipients are looking for jobs, they are also looking for rental housing they can afford.

"We must make sure the cost of rent doesn't eat up these paychecks," Rush said.

Building costs and housing needs increase every year, Gore added.

"We have to be sensitive to the needs of the people who are renting."

S. J a y Southtown

Wednesday, January 14, 1998

Humoring the vice president



AP photo

Vice President Al Gore breaks out in laughter as he is introduced Tuesday at the Kennicott Park field house in Chicago with Mayor Richard Daley and Democratic Sen. Carole Moseley-Braun. Gore announced the expansion of a low-income housing tax credit to provide more affordable housing.



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Monitoring Report

V.P. GORE 1/13 To 1/14

- 1) **Evening Edition**
CLTV-TV Cable Chicago 01/13/98 5:00-6:00 PM
00.20 TZ; Vice President visit. Vice President Al Gore is in Chicago to discuss a new low income housing program and support Sen. Carol Mosely Braun. Tressa Pankovits reports from Kenicott Park in Chicago. V; Tour of the site which has been developed since Harold Washington broke ground there the day he died under a federal tax credit program. 03.00
- 2) **WBBM Newsradio 78**
WBBM-AM (CBS) CH 780 Chicago 01/13/98 8:00-9:00 AM
11.29 Gore Visit Vice President Al Gore will speak in Chicago today in Kendicott Park about low income housing, and attend a reception and fundraiser for senator Carol Mosley-Braun. 12.32 q
- 3) **WBBM Newsradio 78**
WBBM-AM (CBS) CH 780 Chicago 01/13/98 3:00-4:00 PM
06.29 Gore Visit Vice President Al Gore spoke in Chicago today in Kendicott Park about a tax credit plan for low income housing. 07.17
- 4) **WBBM Newsradio 78**
WBBM-AM (CBS) CH 780 Chicago 01/13/98 5:00-6:00 PM
05.25 Gore Visit Vice President Al Gore spoke in Chicago today in Kendicott Park about a tax credit plan for low income housing, and will attend a reception and fundraiser for senator Carol Mosley-Braun. 06.35
- 5) **WGN-AM News**
WGN-AM (Ind) CH 720 Chicago 01/13/98 9:00-9:10 AM
00.00 WGN News. > Vice Pres. Al Gore is in Chicago Today. he will make an announcement about low income housing at a South Side park. Then he will attend a fund raiser for Sen. Carol Mosely Braun. Rod Sierra reports.
- 6) **WMAQ All News 67**
WMAQ-AM (CNN) CH 670 Chicago 1/13/98 6:00-7:00 AM
13.08 - Gore. Al Gore is attending fund raising receptions here today and will tour a southside park and make an announcement on low incoming housing. John Dempsey reports. 13.42
- 7) **WMAQ All News 67**
WMAQ-AM (CNN) CH 670 Chicago 01/13/98 5:00-6:00 PM
07.35 Gore Visit Vice President Al Gore spoke in Chicago today in Kendicott Park about a tax credit plan for low income housing. 08.29

VIDEO MONITORING SERVICES OF AMERICA, LP

Page: 2

V.P. GORE

Continued....

- 8) **News 2 Chicago This Morning**
WBBM-TV (CBS) CH 2 Chicago 01/13/98 5:00-6:00 AM
 02.02 Gore Visit Vice President Al Gore will speak in Chicago today about low income housing, and attend a reception for senator Carol Mosley-Braun. V; File footage of Gore at Democratic party event. 02.20
- 9) **News 2 Chicago Morning Show**
WBBM-TV (CBS) CH 2 Chicago 01/13/98 6:00-7:00 AM
 03.19 Gore Visit R; Vice President Al Gore will speak in Chicago today about low income housing, and attend a reception for senator Carol Mosley-Braun. 03.36
- 10) **News 2 Chicago This Morning**
WBBM-TV (CBS) CH 2 Chicago 01/13/98 7:00-8:00 AM
 02.12 Gore Visit Vice President Al Gore will speak in Chicago today about low income housing, and attend a reception for senator Carol Mosley-Braun. V; File footage of Gore at Democratic party event. 02.36
- 11) **News 2 Chicago This Morning**
WBBM-TV (CBS) CH 2 Chicago 01/13/98 8:25-8:30 AM
 00.25 Al Gore visit. The Vice President is in Chicago today. V; Gore. He will announce new low income housing plans at Kennicott Park Field House. GR; Schedule. Chicago Hilton and Towers reception for Sen. Carol Mosely Braun. 00.55
- 12) **News 2 Chicago at Six**
WBBM-TV (CBS) CH 2 Chicago 1/13/98 6:00-6:30 PM
 12.21 TZ; Al Gore. Al Gore visits the Kenwood neighborhood to show how tax credit can make a difference in neighborhoods. V; Building Stronger Communities, New Homes, New Opportunities logos in background. PC; Gore talks about the changes. Gore will attend a dinner for Senator Carol Moseley-Braun. V; Moseley-Braun. 13.17.
- 13) **Fox Thing in the Morning**
WFLD-TV (Fox) CH 32 Chicago 1/13/98 7:00-8:00 AM
 00.37 News Headlines. > Vice President Al Gore will be in Chicago today for an announcement about low income housing.
 . . .
 11.22 News with Mike Pomeranz > Vice President Al Gore will visit Chicago this afternoon to make an announcement on low-income housing.
- 14) **WGN News at Nine**
WGN-TV (Ind) CH 9 Chicago 1/13/98 9:00-10:00 PM
 04.11 Chicago Visit. Vice-Pres. Al Gore said the Clinton administration will push for expanding a program that build low income housing. V; Al Gore visiting Chicago. PC; Al Gore, talks about the program. 04.53

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Monitoring Report

V.P. GORE 1/13 To 1/15

- 1) **Morning Edition**
CLTV-TV Cable Chicago 1/14/98 5:00-6:00 AM
11.11 Gore. Vice President Al Gore ends his visit to Chicago with a fundraiser for Senator Carol Moseley Braun. V; Gore in Oakland speaking on low-income housing. V; Fundraiser in Chicago. 11.36 06.29 Gore Visit Vice President Al Gore spoke in Chicago today in Kendrick Park about a tax credit plan for low income housing. 07.17
- 2) **News 2 Chicago This Morning**
WBBM-TV (CBS) CH 2 Chicago 01/14/98 8:25-8:30 AM
01.10 Al Gore visit. Vice President Al Gore was in Chicago. V; Fundraiser with Sen. Carol Mosely Braun., he also announced a tax credit program in Kenwood. 01.40
- 3) **WGN Morning News**
WGN-TV (Ind) CH 9 Chicago 01/14/98 6:00-7:00 AM
05.11 Chicago Visit. Vice President Al Gore was in Chicago yesterday. GR; Chicago Visit. V; Al Gore who looked at low income housing. I; Gore said this is not pie in the sky but pie in the oven. V; Carol Mosley-Braun fundraiser. 06.01

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Monitoring Report

DALEY/GORE 1/14 To 1/15

7) WGN-AM News

WGN-AM (Ind) CH 720 Chicago

01/15/98

6:00-6:10 AM

00.00 WGN news. > Mayor Daley announced he will endorse Al Gore for President in the year 2000 because Gore has supported Daley's increased low-income housing tax credits and cleaning up the Brownfield's.

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Chicago Defender

- Saturday, January 17, 1998 -

Editorial

Make your feelings on wages, housing credits known

When President Clinton delivers his State of the Union Address on Jan. 27, he's expected to make a pitch for another increase in the minimum wage.

That's good news for the working poor — and when he proposes it — we encourage Congress to follow through on the measure immediately.

The amount of the proposed hike isn't known at this time, but with the minimum wage currently at a near-poverty-level \$5.15 an hour, almost

any kind of boost is most welcome.

One of the key proponents of another minimum wage boost — Massachusetts Sen. Edward Kennedy — wants an increase of \$2.10 an hour to \$7.25 an hour over the next five years, but he's bound to meet with massive resistance from Republican leadership, which has argued in the past that such a hike would force a major cutback in jobs.

Clinton last won higher pay for low-paid workers in 1996 from a reluctant

GOP-led Congress when it approved a two-tiered boost that upped minimum hourly salaries from a pitiful \$4.25 an hour to its current level — and jobs weren't lost. In fact, unemployment is at its lowest level in more than two decades.

On another White House matter, Vice President Gore was in town this week and he proposed a plan to expand tax credits designed to encourage construction or renovation of low-income housing.

And the proposal to increase a subsidy for such works is expected to go to Congress early next month.

Administration officials say expanding the credits would permit the development of up to 180,000 more housing units targeted for the poor over the next five years.

Both proposals are commendable and we urge you to write to, phone or fax your congressional representative to make your feelings on the matters known.

CAPITAL JOURNAL

TOPEKA, KS

JANUARY 14, 1998

POLITICAL FUND-RAISER

Plate passed:

Gore rakes in big bucks as donors dine

By CHRISTOPHER CLARK
The Associated Press

KANSAS-CITY, Mo. — As deep-pocketed Democrats lunched on thick K.C. strips and chocolate cake, Vice President Al Gore on Tuesday praised his administration's eagerness to "empower cities" like Kansas City to cut crime and blight.

Gore's message during the brief fund-raising stop wasn't new, but it was expensive: Diners forked over \$10,000 per couple to nosh with the nation's second-in-command.

The money helped raise about \$200,000 for the Democratic National Committee, which has pledged to shrink its debt from about \$9.4 million to \$5 million before the November elections.

About 40 people attended the luncheon at the Plaza III hotel on the city's upscale Country Club Plaza.

Gore is considered the front-runner for the Democratic presidential nomination in 2000. A probable challenger is Missouri Democratic Rep. Dick Gephardt, the House minority leader who represents a St. Louis district.

Gore spent much of his speech Tuesday thanking the lunch's big-spenders, along with the smattering of prominent Missouri Democrats seated in the audience. Among them were Gov. Mel Carnahan, U.S. Rep. Karen McCarthy, Attorney General Jay Nixon and Kansas City Mayor Emanuel Cleaver.

When it came time to talk policy, Gore talked up the administration's efforts to improve cities by offering affordable housing for low-income residents and cleaning up the urban environment.

Democrats, Gore said, have led the way on improving big cities by favoring spending on construction and revitalization projects. Such commitment is an ingredient to robust economies and the jobs they produce, Gore said.

"This positive change occurred because of Democratic leadership who are willing to get out there and fight for the change our country needs," Gore said. "And as a result of that change, you can feel the tangible, positive benefits, right here in Kansas City."

Gore coupled his praise for Democrats with barbs at Republicans, whom he criticized as being "unwilling to vote for change" when it came to addressing urban problems.

"If you're a Democrat, don't forget ever for one minute that when this country had been run into the ditch, and we were in serious trouble not one single Republican in either the House or the Senate was willing to vote for change," Gore said. "All of them just held on to trickle-down economics for dear life. It was the only thing they knew. At least that was the way they acted."

GOP Missouri Party spokesman Daryl Duwe disputed Gore's claims that Democrats were primarily responsible for aiding cities.

Duwe pointed to Missouri Republican Sen. Christopher Bond, who has a friendly personal relationship with Cleaver and has helped steer millions of dollars to Kansas City for such projects as a new federal courthouse, flood control, bridge maintenance and study of a light rail system.

WALL STREET JOURNAL

NEW YORK CITY

JANUARY 14, 1998

Clinton Proposes Bigger Tax Credit On Homes for Poor

By ROCHELLE SHARPE

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The Clinton administration will propose a 40% increase in the tax credit for building low-income housing, Vice President Al Gore announced.

The plan, to be part of President Clinton's fiscal 1999 budget proposal, would cost \$1.6 billion over the next five years and could result in 36,000 more rental units annually during that period. States could increase the credits they allocate to housing developers — who in turn sell them to corporations or individual investors — to \$1.75 a state resident from \$1.25, the amount set when the tax-credit program was created in 1986.

"This means more projects will be funded," said Paul Grogan, president of the Local Initiatives Support Corp., a New York-based group that raises money for housing development. "This may begin to reduce the enormous crunch" in the low-income housing market. Five million families now pay more than 50% of their incomes for rent or live in dilapidated housing, he said.

The existing tax credit has been used to build 75,000 to 90,000 low-income rental units each year, or a total 900,000 homes since 1986. Housing advocates have long clamored for an increase in the tax credit, saying inflation has eroded the credit's purchasing power by 45% since 1986. They want the credit raised to \$1.75 a resident in the fiscal 1999 budget and indexed for inflation in coming years.

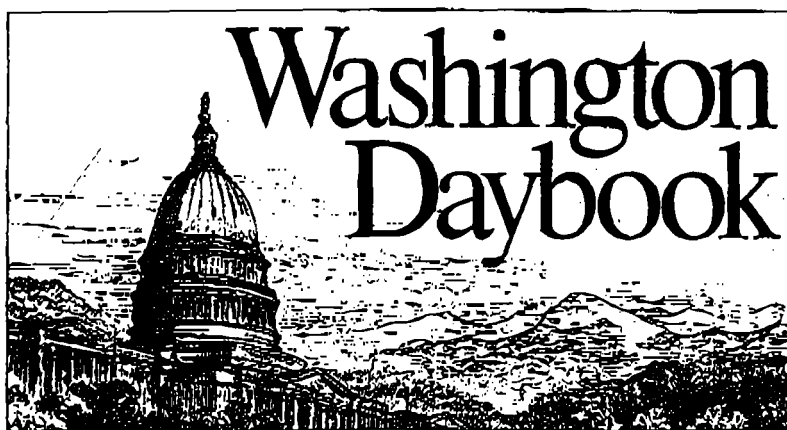
The proposed increase is part of a

package of modest tax cuts, totaling about \$23 billion over five years, to be included in Mr. Clinton's budget. The president has announced tax-cut proposals affecting child care, carbon emissions, education and pension coverage. Mr. Clinton also is expected to propose extending various tax credits due to expire this year, including one designed to encourage corporate research and development.

WASHINGTON TIMES

WASHINGTON DC

JANUARY 13, 1998



TODAY'S HEADLINERS

"Filegate" hearing — 10 a.m. — Larry Klayman of Judicial Watch appears in court to argue a motion for sanctions against the White House and the FBI and to discuss status of class-action lawsuit involving the affair called "Filegate." Location: Courtroom 12 of U.S. District Court for the District of Columbia. Contact: 202/646-5172.

Housing announcement — 3:45 p.m. — Vice President Al Gore makes an announcement regarding low-income housing. Location: Kennicott Park Field House, Chicago.

December 13, 1997

MEMORANDUM FOR GENE SPERLING

FROM: JON ORSZAG

SUBJECT: Low-Income Housing Tax Credit and Child Care

I have attached a letter from Bobby Rozen explaining a technical change in the Low-Income Housing Tax Credit (LIHTC) that would make child care facilities more available in low-income neighborhoods. This proposal, according to Rozen, has no cost. I have forwarded his letter to Karl Scholz to get Treasury's opinion, and they are supposed to respond by Monday.

Under current law, common space in LIHTC property is considered in the overall project cost (and thus, subsidized), if the area is available only to tenants of the property. This provides a disincentive to contractors to build common areas available for child care, Head Start, and other programs which can serve people from surrounding neighborhoods.

Rozen's proposal is as follows: amend the LIHTC to permit the tax credit to subsidize common areas open to nonresidents. As Rozen notes, it is important that any proposal along these lines have some limitations to make sure that the integrity of the LIHTC is not undercut. He proposes: (1) this option be available for property developed in low-income neighborhoods defined as those within census tracts where at least 50 percent of the population has an income of less than 60 percent of the area median income; (2) the common area not exceed 20 percent of the entire space of the property; and (3) the space be designed to serve individuals who at least meet the income tests for living in the property, even if they are not tenants.



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December 12, 1997

Ms. Jennifer Klein
Special Assistant for Domestic Policy
Domestic Policy Council
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Jennifer:

I understand that you are working on policy initiatives to be included in the President's Fiscal Year 1999 budget that would increase the availability of child care options for American families. I am writing to share with you a modest, no-cost proposal that would expand the availability of child care facilities in low-income neighborhoods.

As you are probably aware, one of the factors that limits the child care options of lower income families in economically distressed areas is the lack of facilities which can serve as space for child care programs. See for example: "Early Childhood Programs, Local Perspectives on Barriers to Providing Head Start Services", General Accounting Office, GAO/HEHS-95-8; "Creating a 21st Century Head Start, Final Report of the Advisory Committee on Head Start Quality and Expansion", U.S. Department of Health and Human Services; "Early Childhood Centers, Services to Prepare Children for School Often Limited", General Accounting Office, GAO/HEHS-95-21. These studies all indicate a shortage of suitable facilities for preschool-aged children in areas that Head Start serves, that is, lower income areas. This can be a particularly acute problem that either eliminates child care options, or makes those options considerably more expensive or difficult to access. A very simple measure to help address this problem would be to permit affordable housing projects, developed with the use of the Low-Income Housing Tax Credit, to include common areas which can be made available to individuals who are not tenants of the building. Background on this issue follows:

The Low-Income Housing Tax Credit is a very successful federal tax subsidy program designed to develop affordable housing across the nation. Under this program, which has been in effect since 1987, state housing finance agencies allocate tax credits to developers of affordable housing who receive the tax subsidy in return for renting their property at limited rents to families with incomes under 60% of area median income. The Housing Credit is a capped program and the amount of credits which states may allocate each year is tied to the state's population.



Under current law, common space in a Housing Credit property which is made available only to the tenants of the property is considered part of the overall project cost and is, therefore,

(*) subsidized with the federal tax credits. However, common areas of such buildings which are made available to individuals who are not tenants of the building may not be subsidized by the housing tax credit. This has the effect of preventing the building owner from making space available for such purposes as child care, Head Start, and other programs which can serve people from the surrounding neighborhood. As a result, because of current restrictions in the Low-Income Housing Tax Credit, affordable housing that is being developed in low-income neighborhoods where there is a shortage of child care and other community facilities is not being made available to people who live in the neighborhood. This is true even in the case where local, nonprofit community groups develop and manage the property.

(*) The solution would be to amend the law to permit the tax credit to subsidize common areas within a housing credit property even if that area is made available to individuals who do not reside within the property. There are various ways that this provision could be limited to make sure that the basic purpose of the Housing Credit program is not undermined. I have attached draft legislative language for such a provision which would be limited in various ways. Firstly, this option would only be available for property developed in low-income neighborhoods defined as those within census tracts where at least 50% of the population has an income of less than 60% of area median income. Secondly, the common area could not exceed 20% of the entire space of the property. Thirdly, the space would have to be designed to serve individuals who at least meet the income tests for living in the property, even if they are not tenants.

The policy objective -- increasing the availability of space that can be used for child care purposes -- can, of course, be achieved without these limitations. Alternatively, you may wish to consider other modifications. For example, the attached draft is prospective in nature; it would apply to future property developments. It could be modified to clarify that existing Housing Credit property will not be out of compliance with the law if space in common areas is made available to non-tenants. The essential element is that the Low-Income Housing Credit rules be liberalized to permit non-tenants to use common areas.

Since the Housing Credit is a capped program that is being fully utilized today, there should be no revenue cost to the federal government in this proposal. If you have any questions, please give me a call at (202) 293-7474.

Sincerely,


Robert Rozen

Enclosure

cc: Bruce Reed
Paul Weinstein
Michael Barr
John Orszag

**Increasing the Availability of Child Care Facilities
In Low-Income Neighborhoods**

**Amendments to the Low-Income Housing Tax Credit
27 U.S.C. §42**

Amend paragraph (4) of Section 42(d) by adding a new subparagraph:

(C) *BASIS OF PROPERTY IN COMMUNITY SERVICE AREAS INCLUDED. - The adjusted basis of any building located in a qualified census tract shall be determined by taking into account the adjusted basis of property (of a character subject to the allowance for depreciation) used in functionally related and subordinate community activity facilities if -*

- (i) such facilities are designed to serve individuals meeting the low-income requirements of subsection (g)(1)(B) and employees of the qualified low-income housing project of which the building is a part, and*
- (ii) not more than 20% of the aggregate eligible basis of all building in such project is attributable to the aggregate basis of such facilities.*

Such facilities the aggregate basis of which is more than 20% of such aggregate eligible basis shall not be disqualified under clause (ii), if not more than 20% of such aggregate eligible basis claimed by the taxpayer is attributable to such facilities.

were awarded to projects financed with tax-exempt bonds and hence outside the LIHTC volume cap.⁸

Discipline of a Binding Cap

A tight cap on the amount of LIHTCs available for a State to allocate is essential to assuring that excessive fees are not included in qualified basis, that projects receiving allocations are directed to clearly identified housing problems rather than well-connected developers, and that projects can be held to strict income targeting for qualifying units and rents held to low levels. In addition, States can side-step the cap by using 30 percent credits in connection with tax-exempt bond-financed projects. This means that bond authority under the private activity bond cap is used for this purpose rather than less worthy purposes, such as mortgage revenue bonds or IDBs. Only in the last two years is there evidence that the cap has been binding. Now that the salutary effects of the binding cap have been achieved, they should not be abandoned by increasing per capita allocations.

Link to Private Activity Bond Cap

Both caps were set in 1986 and have not been increased. Advocacy groups use similar arguments for increasing both caps. The advocacy groups overlap and will strongly resist separating the two issues. Increasing the private activity cap would not only result in additional revenue losses but would force higher interest rates on bonds for schools and other "good" purposes.

⁸ The GAO report indicated that, on average over the 1992-94 period, credits awarded to projects placed in service fell \$80 million per year short of the per capita allocation. The IRS may be able to provide more recent data, but evidence of declining carryover amounts, the evaporating national pool (it is only \$4 million for 1997 according to SOD) and the diminished amount of returned credits is consistent with the argument made by program advocates that credits are currently being fully used. It is unreasonable to believe that any significant amount of credits are allowed to disappear by State agencies.

December 4, 1997

MEMORANDUM FOR KARL SCHOLZ

FROM: BRUCE DAVIE AND VIRGINIA MYERS

SUBJECT: Low-Income Housing Tax Credit

This memorandum presents arguments for and against expanding the low-income housing tax credit (LIHTC). A coalition of advocacy groups is calling for an increase in the annual volume cap from \$1.25 per capita to \$1.75 per capita, plus indexing. Senators D'Amato and Graham have introduced such a bill (s. 1252). The size of any increase in the cap could be scaled, within limits, to meet budget constraints.

Summary

The LIHTC has reached maturity in the sense that unused credits from prior years have virtually been used up and the annual volume cap is effectively limiting the ability of State housing agencies to allocate credits to developers. The "scarcity" of credits is forcing agencies to be more selective in choosing projects to support, squeezing developers by allocating less than the full amount of allowable credits to a project or forcing developers to accept lower rents, and allocating credits (outside the LIHTC cap) to projects financed in part with tax-exempt bonds. These good results of a binding cap will be threatened by any significant increase in the annual \$1.25 per capita amount. In addition the LIHTC is an inherently inefficient method of addressing the housing needs of low-income persons. We therefore urge you to resist proposals to increase the cap.

Understanding the Operations of the Cap

Each state is limited to a ceiling amount of first-year credits it can allocate to projects. First-year credits are one-tenth the credit rate allowed by the agency (subject to the maximum rate allowed by the statute and the IRS monthly adjustment to reflect prevailing interest rates) times the "qualifying basis" of the low-income units in the building. The ceiling amount of first year credits is the sum of:

1. the \$1.25 per capita amount times the most recent Census estimate of its population
2. credits returned in the current year from projects which received allocations in prior years that cannot be used
3. unused credits from the immediately prior year
4. amounts allocated to the State from the national pool of unused credits. (If unused credits from the immediately prior year exceed the excess, if any, of the current year cap and

returned allocations over current year allocations, that amount goes into a national pool to be reallocated to applicant states.)

First-year credits are one-tenth of the maximum amount of credits that can be claimed over the ten-year "credit period." New buildings are eligible for a total credit equal, in present value terms, to 70 percent of qualifying basis. Rehab projects and buildings supported by other federal subsidies (tax-exempt bonds in particular) are eligible for a total credit equal, in present value terms, to 30 percent of qualifying basis.

In a relatively few cases, first-year credit amounts are allocated to projects placed in service during the same year. The more typical case is that an allocation is made to a project that qualifies under the "10 percent rule." Allocations can be made to projects if 10 percent of the expected costs (including land acquisition) have been incurred prior to the date of allocation. The developer then has two additional calendar years to place the building(s) in service. State agencies annually report to the IRS their allocations using Form 8610. They attach two types of documents to that summary submission: a "statement" (not using an IRS form) regarding each allocation made under the 10 percent rule and a Form 8609 regarding buildings placed in service and the "final" amount of first-year credits allocated to those buildings. Developers have an incentive to overestimate qualifying basis when they apply to agencies under the 10 percent rule. Agencies are willing to allocate amounts that include some cushion (after they have worked out all the terms of the deal) because any unused credits are returned to the agency for allocation to other projects.

Arguments in Favor of Increasing the LIHTC Cap

- The per capita amount has not been increased since 1986 despite the 28.7 percent increase in the implicit price deflator for housing construction over the 1986 to 1996 time period. (Had the per capita amount been indexed to this deflator, it would have been \$1.61 for 1997.)
- The demand for credit allocations is, according to NCSHA, about three times the available supply.
- Projects supported by LIHTCs are the major source of newly constructed low-income housing.
- State agencies are able to use the LIHTC as part of a strategy to create housing in targeted areas and to serve target population groups such as the elderly or those with disabilities.
- A recent GAO report indicated that the population being served by LIHTC projects is well within the statutory income guidelines.

Arguments Against Increasing the LIHTC Cap (Detailed arguments follow)

- The LIHTC is an inefficient means of providing housing for low-income households.

- The LIHTC Was Not Fully Utilized in Recent Years.
- A Binding Cap is Essential to the Acceptable Use of LIHTCs.
- Increasing the LIHTC Cap is Linked Politically to Increasing the Private Activity Bond Cap

Inefficiency

Syndication Costs: The LIHTC typically entails significant payments to developers, syndicators, and other "middle men," costs which do not result in additional low-income housing. Current estimates (by credit advocates) are that LIHTCs are being sold by syndicators at 93 percent of their present value. This figure, if correct, represents an improvement over the 76 percent reported by GAO for the 1992-94 period. Some IRS audits have revealed overstatement of developer fees and other "soft costs" so as to inflate the qualified basis of projects.

No Market Mechanism: Since the LIHTC is awarded to projects after the State agency has approved the type and location of construction, the value of this housing subsidy to low-income residents may be less than the cost of the credits. There is no market mechanism to directly match the tastes of low-income individuals to the type of housing produced, as there is with demand-side housing subsidies (such as vouchers). Although state allocating agencies attempt to simulate the market process by studying the needs of the community and funding projects appropriately, these efforts will likely produce only a crude estimate of a market outcome. For example, GAO¹ reports that for all projects placed in service between 1992 and 1994, 82 percent of all units had 2 or fewer bedrooms and only 1 percent had four or more. It is not clear that this type of housing accurately reflects the demand for low-income housing. In contrast to the credit program, demand-side subsidies are given directly to low-income individuals and thus the supply of low-income housing must respond to the market demand. Therefore, individuals are able to choose the type, size, and location of housing which best suits their needs. Hence, the value of the subsidy to the individual is likely to be equal to the government cost of the subsidy.

Segregation of Residents: Rather than letting low-income families choose where they live, subsidized projects tend to group low-income residents into artificial communities. GAO reports that 95 percent of units in LIHTC projects placed in service between 1992 and 1994 met the income and rent limits of the credit program. This segregation of low-income individuals may create the social problems which plagued earlier housing projects and eventually led to the deterioration and abandonment of low-income housing.

¹ United States General Accounting Office, "Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program." March, 1997.

Administrative Costs: The credit involves significant administrative costs. Both the state allocating agencies and the IRS incur administrative costs to ensure that: (i) only the minimum credits needed to provide a fair rate of return per project are awarded; (ii) owners are continuously complying with the mandates of the program and (iii) only the projects most suitable to the states' needs are allocated credits. State agencies typically charge developers a one percent fee to offset some of these costs. The developers in turn add this fee to the basis of the project, thereby increasing the amount of credits allocated to the project.

Housing Stock: If the shortage of affordable housing is not due to the lack of suitable housing, but rather the cost of existing housing, then new construction is not the best solution to the low-income housing problem. The fact that many cities have experienced housing deterioration and abandonment suggests that the physical supply of housing is not the problem in many areas. However, if the physical stock of affordable housing is indeed too low, then it could be more efficient to provide comparable housing by rehabilitating existing housing, instead of undertaking new construction. However, since the value of tax credits which can be awarded are determined by the depreciable basis of the project, there is little incentive to renovate old housing. It may also be the case that new housing created by the credit program does not actually increase the low-income housing stock, since subsidized housing projects have been shown to crowd out a substantial amount of unsubsidized housing construction. A HUD study² found that for every three units of subsidized housing constructed, at least two units of unsubsidized housing were displaced.

Unnecessary Subsidies. Tenants in LIHTC projects must meet the low-income targeting levels of income only upon initial residence. If their income rises over time the unit still qualifies. If they move out the next available unit has to be rented to a qualifying tenant. Thus long-time residents who would no longer qualify for direct assistance such as a Section 8 voucher continue to receive the indirect subsidy of the LIHTC assistance provided to the building.

Utilization

There has been a large gap between the total amount of credits available (\$1.25 per capita) and those actually awarded to projects placed in service.³ Although some reports state that

² United States Department of Housing and Urban Development, "Subsidized and Unsubsidized Housing Starts: 1961-1977." 1983.

³ A few states may be constrained by the cap on credits. The ratio of credits awarded to total credits available for 1992-1994 was at least .95 for Arkansas, Delaware, Idaho, Oregon, South Dakota, and Washington.

97 percent of all credits available are allocated to projects,⁴ only projects placed in service within two years of the initial tax credit allocation can actually be awarded credits. Unused credits may be reclaimed for new allocations by State agencies. GAO estimates that the value of tax credits awarded to projects placed in service was \$158 million in 1992, \$223 million in 1993 and \$229 million in 1994.⁵ However, the total credit amount available (from the \$1.25 per capita amount) was \$313 million in 1992, \$317 million in 1993, and \$320 million in 1994.⁶ Thus, the utilization rate over the three year period was only 64 percent. Data gathered by Abt. Associates Inc. on virtually all LIHTC projects placed in service between 1992 and 1994 are consistent with this utilization rate.⁷ Between 1987 and 1992, an annual average of 87,000 qualified units were initially allocated credits but only 55,000 units were placed in service. Hence, only 63 percent of credits initially allocated during this period were actually awarded. The time lag between the credit allocation and project completion, which can be two years, could explain some of this gap. However, the Abt. data show an annual average of 59,000 units were placed in service for 1993 and 1994. Therefore, the ratio of credits initially allocated to those actually awarded may have risen to 68 percent during this period, still well below full utilization.

In a steady state, amounts allocated in any year cannot exceed the per capita cap. In the late 80s and early 90s, the LIHTC was subject to sunset dates and at one time was allowed to expire and then reenacted. This uncertainty is said by program advocates to have led to a growing pool of unallocated credits. Initial allocations would be made to projects which never reached fruition and allocated amounts would return to the state or national pool. In some years less than the ceiling amount of first-year credits were allocated. In recent years, the volume of ceiling amounts carried over to the next year and the amount going into the national pool have fallen significantly, to less than \$10 million in both cases. In 1996, the amount of returned credits has fallen from \$96 million in 1993 to \$46 million and credits allocated equaled 97 percent of the available ceiling amount, according to the National Council of State Housing Agencies (NCSHA). In 1996 \$20 million of "30 percent" credits

⁴ Data cited in letter to John Karl Scholz from Robert M. Rozen, Washington Council, P.C. November, 25, 1997.

⁵ Total amount for the continental United States.

⁶ Total credits available were calculated using the resident population estimates of the continental United States for calendar years 1992 through 1994. These data are published in the Internal Revenue Bulletin.

⁷ Abt. Associates Inc., prepared for the U. S. Department of Housing and Urban Development, "Development and Analysis of the National Low-Income Housing Tax Credit Database," July, 1996.

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.

Support low-income housing tax credit

By Richard Godfrey

The Woonsocket Call -- Sept. 30, 1995

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 squeeze 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. (RIHMF) 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, Histro and Woonsocket's own CVS. Since 1983 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 Hanna-Lippitt Hill Apartments. Last fall the paper told readers about the apartments in Lincoln where the Daignault family lives. In this 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.

The program invigorates our economy, bolsters local tax rolls and creates much-needed housing. In an average year, tax credits finance the construction of 340 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 the Depositors Economic Protection Corp. (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 Daignault and neighborhoods like Constitution Hill 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 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.

The Pawtucket Times - Sept. 30, 1995

Federal tax credits program has changed lives, restored housing

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

Guest Commentary

By Richard H.
Godfrey Jr.

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 Corporation.)



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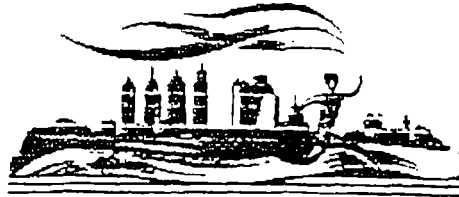
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Tax break for do-gooders

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 non-profit 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 revenues.

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.



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

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?



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20 Section 1

Saturday, September 23, 1995

Save the housing tax credit

As populist catch-phrases go, few expressions get the adrenaline pumping as much as "corporate welfare."

Americans tend to distrust bigness, and a lot of taxpayers are prepared to believe that huge, faceless corporations are somehow getting the better of the cloutless under the federal tax system. The paranoia was recently stoked by U.S. Labor Secretary Robert Reich, who pushed the "corporate welfare" button in challenging Republicans to spread evenly the pain of balancing the federal budget.

Now comes someone who should know better—Rep. Bill Archer (R-Texas), the pro-business chairman of the House Ways and Means Committee—with an even more cynical spin on the expression. He wants to eliminate as "corporate welfare" a select few tax breaks that were designed to achieve socially desirable ends, among them the low-income housing tax credit.

A product of the tax reform of 1986, the credit has become the keystone of the complex formula by which low-rent housing is financed and built. It allows corporations and/or private investors with a federal tax liability to lessen their tax bills by investing in the construction or rehabilitation of privately owned housing for the poor. Since its inception the tax credit has spurred the production of 750,000 housing units at an average annual per-unit cost of only \$1,333. No

other federal housing program comes close to that level of efficiency.

Moreover, the credit actually produces a net *gain* in tax revenues if one counts the payroll taxes of the construction workers and the property taxes that the new housing generates for local governments.

Little wonder, then, that rock-ribbed Republicans such as Illinois' Gov. Jim Edgar are firing off letters to Rep. Archer reminding him that: (1) the housing tax credit has been a huge success in their states, and (2) by recruiting the private sector to tackle the affordable housing problem, the credit deserves to be made the centerpiece of any GOP housing plan, not discarded like some big-government holdover of a Democratic past.

Rep. Archer is said to be irked that his predecessor as Ways and Means chairman, former Illinois Congressman Dan Rostenkowski, once favored the housing credit over the Texan's favorite corporate tax incentive, the credit for scientific research and development.

But the chairmanship of one of Washington's most powerful congressional committees is no place for "payback" politics. Nor is the low-income housing tax credit an example of "corporate welfare." The tax credit is an example of a program that works, and as such, it ought to be retained.



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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.



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EDITORIALS/LETTERS THURSDAY, SEPTEMBER 21, 1995

G.O.P. Attack on Low-Income Housing

The Republican leadership has found a new way to pummel the poor: Cut programs that benefit them in the name of eliminating "corporate welfare." Embarrassed by accusations that the party's budget victimized the disadvantaged, Representative Bill Archer, chairman of the House tax-writing committee, pledged to go after corporations as well. So his committee passed a closing of tax loopholes that, he says, subsidize rich corporations.

His list of loopholes does include needless handouts to poultry farms and Hollywood studios. But it also includes a subsidy that has created most of the country's low-cost housing in recent years. Mr. Archer would eliminate the low-income-housing tax credit, a provision first passed in 1986. The credit goes to investors — mostly corporations — that

provide money to nonprofit groups for construction or rehabilitation of low-income housing.

The credit, which will cost the Treasury about \$3 billion a year at its peak, has led to construction of more than 100,000 housing units a year, or more than 90 percent of all low-income housing built in the country. The credit has financed about 4,000 housing units in New York State a year, 1,000 of them in New York City. Entire blocks of the South Bronx and other blighted neighborhoods have been taken back from addicts and gangs with money provided through the tax credit.

For a Congress that refuses to help urban ghettos directly, the tax credit is the only urban policy around. Yet Mr. Archer gallingly says the credit is a needless giveaway to corporations.



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Wednesday, September 20, 1995

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.



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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.



Winfield
Moody
Health Center

Media Release:

For more information contact:

Janet Grant - 312.337.1073

Marilyn Katz, Robyn Ziegler - 312.822.0505

New, Expanded Health Care Facility Will Bring Needed Care to South Side's Medically-underserved

*Near North Health Service Corporation Begins New Construction,
Renovation in North Kenwood*

Near North
Health Service
Corporation

1276 North Clybourn
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(312) 337-1073

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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.



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The Miami Herald

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Great program — let's kill it

So here's a federal program that produces 120,000 new apartments for poor families every year, with virtually no bureaucracy. It relies almost entirely on the private sector. And it gets more than \$11 worth of housing for every government dollar that it spends.

Should be a hit in Washington, no?

Better yet: The program brings an above-average share of these dollars into Florida. It builds some 7,000 housing units a year here, at a federal cost of just \$4,500 for each new apartment. And remember: These are apartments that must, by law, be rented to poor families at affordable rates. In a state where such housing is scarce and the low-income population is growing, this is vital stuff.

Ought to be popular in Florida, right?

Well, maybe not. Tomorrow the House Ways and Means Committee — where Rep. E. Clay Shaw, R-Fort Lauderdale, is an influential member — may take the first steps toward abolishing the program. Not trimming it, as everything must be trimmed these days, but wiping it out. Zero. Gone.

Must've been some scandal, you might suspect. Or maybe the committee has an idea for doing the job more economically? Nope. As happens nearly every year, this simple, cost-effective program landed on the chopping block because few politicians understand it.

HOUSING FUNDS FACE AX

An economical, needed, un-bureaucratic program creates housing for poor people. So why is it in trouble year after year?

Here's the problem in a nutshell: When a program isn't a big, bureaucratic extravaganza, when politicians don't get to take all the credit for what it achieves, when there are no armies of government employees to sing its praises in Congress, the program is sure to be endangered. The politicians evidently don't get it. And frequently, what they don't understand, they kill.

There may also, admittedly, be something more sinister at work here. While the House considers "zeroing out" the housing tax credit, the Senate is taking the same approach to the Community Reinvestment Act. That's the 1977 law that requires banks to lend fairly throughout their communities. The act doesn't impose harsh penalties on banks. In fact, it's usually loosely enforced. But it gives lenders some incentive, at least, for treating all their potential customers fairly.

So why would the Senate — including Banking Committee member Sen. Connie Mack of Florida — want to kill it? Paul Grogan, head of a national non-profit community development group, darkly replies: "It's as if Congress has declared war on neighborhoods."

Surely that's too strong. There certainly must be a more benign explanation. Just now, though, we're at a loss for what that explanation could be.



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The voice of the Northwest since 1863

Rich, poor both lose without tax credits

Nonprofit organizations engaged in producing low-income housing for the poor, such as the Seattle Housing Resources Group (SHRG), are raising alarms over a congressional move to eliminate low-income housing tax credits.

The concerns are fully warranted. Low-income housing tax credits, established by the Reagan administration in 1986, offer incentives to invest in low-income housing programs. They have helped finance 110,000 housing units nationally and, according to the National Association of Home Builders, created 90,000 jobs annually and produced an estimated \$1.3 billion in federal, state and local tax revenues.

SHRG Executive Director Nancy Smith says her organization has created 633 units of affordable Seattle housing as a direct result of the tax credit program.

Another group, the Local Initiatives Support Corp., a national organization with offices here, has relied on the tax

credits to produce more than 8,500 housing units throughout the state.

The tax credits are endangered by a vote of the House Ways and Means Committee to sunset, or kill, the program by 1997. The proposal now is before the Senate Finance Committee.

Those close to the issue say the Republican House leadership backed the action as a means of quieting criticism that its budget proposals benefit the wealthy at the expense of the poor. Ending the housing tax credit, the thinking went, would deflect such criticism by striking a blow against "corporate welfare."

But housing tax credits comprise one federal program that is working well, providing housing for the nation's neediest by offering investment incentives, mostly to corporations. It's a win for those at both ends of the economic spectrum.

Ending it not only would be dumb, it would discourage corporations from investing in programs that help meet the poor's housing needs.



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A10 □ Wednesday, September 27, 1995 □ 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 ghettos.

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.

Komed/Holman/add one

Department of Health and Human Services.

Near North Health Service Corporation -- whose mission is to improve the health and well-being of the people and communities it serves -- is currently conducting a \$3 million capital campaign to raise additional funding for the new Komed/Holman health facility and for renovations to the existing Komed/Holman structure; as well as for a 10,000 square foot expansion and renovation of NNHSC's Winfield Moody Health Center on the Near North Side. The entire endeavor is projected to cost \$7.4 million.

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Both health centers are located in the midst of large concentrations of high rise public housing, abandoned commercial buildings and blighted residential properties, in areas totally lacking basic services and resources. The desperate poverty, extreme high levels of unemployment, poor overall health status with high infant morbidity and mortality rates, and the preponderance of single-parent, female-headed households, combine to make these communities the most deprived and underserved, not only in Chicago, but in the nation.

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####

Providence Business News

September 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.

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."

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 any-

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Komed/Holman/add one

Department of Health and Human Services.

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Low-Income Housing Tax Credit Facts (1987-1994)

The federal government annually allocates tax credits to the states in the amount of \$1.25 per resident. Rhode Island received about \$1.2 million in 1995.

Rhode Island

Total tax credits allocated	\$8.3 million
Total equity raised	\$41 million
Total financing leveraged	\$117.5 million
Total number of apartments	2,476
Avg. household income of residents	\$12,000

Nationally

Number of units	700,000
Total tax credits allocated	\$2.2 billion
Total equity raised	\$12 billion

Komed/Holman/add one

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INDIANAPOLIS STAR

September 23, 1995

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 — long term incentives — that 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.

Komed/Holman/add one

Department of Health and Human Services.

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Real Estate

SUNDAY, NOVEMBER 5, 1995

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 69,000 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.

Komed/Holman/add one

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With tax credits he has been able, starting in 1992, to renovate five buildings with 68 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

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 experi-

enced staff to work on what are almost always very complicated projects—especially from a financial standpoint.

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 \$600 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

Komed/Holman/add one

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Photo for the Tribune by Karen King

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.

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."

Komed/Holman/add one

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Washington Post 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."

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The Washington Times

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

JOHN DANFORTH

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, we 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 of 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

Housing tax credits where it counts

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 successful 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 lib-

eral 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.

Komed/Holman/add one

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JOHN DANFORTH

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 of 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 such 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 14,000 units last year alone. The National Association of Home Builders attributes almost half of all

Housing tax credits where it counts

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 successful 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 lib-

eral 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 even 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.

Komed/Holman/add one

Department of Health and Human Services.

Near North Health Service Corporation -- whose mission is to improve the health and well-being of the people and communities it serves -- is currently conducting a \$3 million capital campaign to raise additional funding for the new Komed/Holman health facility and for renovations to the existing Komed/Holman structure; as well as for a 10,000 square foot expansion and renovation of NNHSC's Winfield Moody Health Center on the Near North Side. The entire endeavor is projected to cost \$7.4 million.

"NNHSC has a long history of receiving both program and capital support from some of the city's leading philanthropic entities," said Moorehead. "We believe our reputation for excellence and innovation will assure success in meeting our capital campaign goals."

Leadership gifts of \$250,000 toward the completion of the project have been granted by The Chicago Community Trust and the Amoco Foundation.

Near North Health Service Corporation (NNHSC) is a federally-qualified nonprofit organization that annually serves approximately 27,000 users at six program sites -- two health centers and three WIC nutrition program sites -- and through other community- and school-based programs. Its target patient population is 68 percent African-American and 32 percent Latino, the majority of which are reached through Winfield Moody Health Center serving the Near North/Cabrini Green, West Town and Humboldt Park areas; and Komed/Holman Health Center serving the Grand Boulevard, Kenwood and Oakland communities on the city's Near South Side.

Both health centers are located in the midst of large concentrations of high rise public housing, abandoned commercial buildings and blighted residential properties, in areas totally lacking basic services and resources. The desperate poverty, extreme high levels of unemployment, poor overall health status with high infant morbidity and mortality rates, and the preponderance of single-parent, female-headed households, combine to make these communities the most deprived and underserved, not only in Chicago, but in the nation.

Mainly through Komed/Holman and Winfield Moody, NNHSC carries out its mission to improve the health and well-being of the people and communities it serves using primary care concepts and emphasizing the prevention of illness and the promotion of healthy lifestyles. Acknowledging that environmental, social and cultural factors influence one's health, NNHSC's programs empower individuals to be healthy through education and skill building.

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A worthy program

Included in the budget reconciliation measure recently passed by Congress is a provision "sunsetting" the low-income housing tax credit. This change would revoke the permanent status of the credit. It would die in 1997 unless reauthorized.

To be sure, the credit survived for several years as a temporary program. The periodic reauthorization fights were successful. But investment decisions require planning, and uncertainty has its cost. An executive from the National Equity Fund — a group that coordinates tax-credit investments nationally — recently told *The Wall Street Journal* that the mere threat of the credit's demise "has put several of our corporate pledges in jeopardy."

Zapping the tax credit will save the Treasury about \$3.5 billion over the next seven years, but if the program doesn't survive, the real cost would

be unbuilt housing and accelerated urban deterioration. The credit is an important redevelopment tool for non-profit groups that combine this incentive with other financing sources to rehabilitate older homes or build new apartments for low- and moderate-income people.

Since its enactment in 1987, the program has attracted \$12 billion in private investment for housing — which is constructed with only minimal involvement by the federal bureaucracy. Currently, the credit helps pay for the construction of 100,000 new housing units a year.

The low-income housing tax credit is a worthy program, one that deserves to retain permanent status. In the negotiations between the White House and Congress, the budget measure should be rewritten accordingly.

Kansas City Star editorial, Monday, December 4, 1995

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THE NEW YORK TIMES **METRO** THURSDAY, DECEMBER 4, 1997

Factory Plan Blends Form And Function

By BARBARA STEWART

Developers in the South Bronx are attempting to make artistic qualities part of a paper-recycling plant.

They already have one thing in their favor: the Community Paper Company will be the first industrial project designed by the architect Maya Lin, whose best-known work is the Vietnam War Memorial in Arlington National Cemetery. And now they apparently have another: A scale model has been deemed innovative and striking enough for the Municipal Art Society to display, in its show to open next Thursday.

The plant's planners say its underlying environmental and economic goals are to recycle urban trash and in the process generate hundreds of jobs in an area that has been one of the poorest and most troubled in the city. Residents from the neighborhood will be encouraged to visit the plant to watch the manufacturing process. But some neighbors say the plant will pollute the area, and have said they will go to court to block it.

For the Municipal Art Society, and other supporters, the combination of environmental and economic factors makes the plant appealing. "The collaboration of community education and economic development, environment and a visionary designer is what interests us," said Tracy Calvin, director of exhibitions and programs for the society.

The \$390 million plant, to be built on the tip of the South Bronx on 96 acres of the abandoned Harlem River rail yards, would have buildings on both sides of the northern arm of the Triborough Bridge.

The plant is the joint project of the Natural Resources Defense Council and Banana Kelly, a South Bronx activist group. Yolanda Rivera, president of Banana Kelly, had met Allen Hershkowitz, a senior scientist at the council, while she was searching for nonpolluting industries to create local jobs. Both are nonprofit organizations that plan to turn the plant over to a for-profit company.

Money for the Community Paper Company is to come from corporate investors and state government

bonds. Mr. Hershkowitz said that Banana Kelly and the Natural Resources Defense Council expected to have the financing completed by the end of 1998.

"It's taking landfill trash," said Anthony Winson, vice president of Morse Diesel International Inc., which is building the plant, and "it's turning to modern technology to make it reusable, and then making it into the daily newspaper you read."

The plant, however, is being opposed by the South Bronx Clean Air Coalition, a group of about 50 local organizations, including schools, churches and businesses. Carlos Padilla, the organization's president, said the plant would create more air pollution, in an area where respiratory problems are common. He said his organization was preparing a lawsuit to stop the construction, which is to start in 1998, if there are no more delays.

Most paper mills have long been built in rural areas, near the source of timber. "This is using an urban forest rather than a virgin forest," Ms. Lin said. "It is making paper from paper, versus cutting down trees." The plant is designed to be nonpolluting, and will be cleaning sewage water from the nearby Wards Island treatment plant, using it to make paper from pulp, and pouring it into Long Island Sound.

The paper mill, the largest industrial project in the city since World War II, is expected to provide about 450 skilled and semiskilled jobs in one of the city's poorest areas, as well as 2,500 construction jobs for the two years it should take to complete the plant.

The building was designed by both Ms. Lin and industrial engineers and other specialists — a project each side entered warily.

A passage for trucks and pedestrians will connect the buildings on each side of the Triborough Bridge. Skylights will provide light for visitors to see the key manufacturing points, like the spot where the deinked pulp enters the paper-making building.

"We want to expose the processes," Ms. Lin said. "We want to show people what's going on within."

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