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Bill 34 of 195

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To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation. (Introduced in the Senate)

S 1252 IS

105th CONGRESS

1st Session

S. 1252

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

IN THE SENATE OF THE UNITED STATES

October 3, 1997

Mr. D'AMATO (for himself and Mr. GRAHAM) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDITS.

(a) IN GENERAL- Section 42(h)(3)(C)(i) of the Internal Revenue Code of 1986 (relating to State housing credit ceiling) is amended by striking '\$1.25' and inserting '\$1.75'.

(b) ADJUSTMENT OF STATE CEILING FOR INCREASES IN COST-OF-LIVING- Section 42(h)(3) of the Internal Revenue Code of 1986 (relating to housing credit dollar amount for agencies) is amended by adding at the end the following new subparagraph:

(H) COST-OF-LIVING ADJUSTMENT-

(i) IN GENERAL- In the case of a calendar year after 1998, the dollar amount contained in subparagraph (C)(i) shall be increased by an amount equal to--

(I) such dollar amount, multiplied by

(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

(ii) ROUNDING- If any increase under clause (i) is not a multiple of \$1, such increase shall be rounded to the next lowest multiple of \$1.'

(c) EFFECTIVE DATE- The amendments made by this section shall apply to calendar years after 1997.

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The Washington Post

AN INDEPENDENT NEWSPAPER

TUESDAY, NOVEMBER 19, 1991

Extend the Housing Credit

IN THE Reagan years the federal housing programs for the poor were mainly put on hold. Only in 1990 were the parties finally able to enact a new housing bill after reaching a difficult compromise on philosophy and the federal role. That was a major step forward, but now the administration and Congress risk slipping a half step back. Just as the new programs are being cranked up, a successful older one, one of the strongest survivors of the 1980s, is being allowed to expire.

Key figures in Congress complain that there isn't time or a vehicle to do any more this session, and that any interruption would likely be only temporary—that the program if allowed to lapse will surely be revived next year. But that's too patchy a way to make long-term housing policy. Congress ought to be able to pass a bill extending this valuable effort before it goes home; a president in search of a domestic agenda ought to speak up and ask it to.

The program is a tax credit for investors in low-income housing; most of the credit goes to corporations. The credits are limited such that the annual cost when fully mature will be about \$3 billion. For that, at current prices, the credit is adding about 120,000 units a year to the

subsidized housing inventory. By the year 2000, at that many units a year, it will have increased the stock of such subsidized housing by a fourth.

The credit is one of a group of so-called extenders, tax provisions that the two branches, for fiscal reasons, have fallen into the habit of keeping alive only on a year-to-year basis so that they constantly need to be extended. Among other things, because neither party is willing to let them expire, that makes them important pawns in the annual maneuvering over tax policy generally.

But an on-again, off-again tax credit isn't a reassuring basis on which to ask a corporation to take a long-term chance on low-cost housing. If Congress for reasons of cost or tactics wants to leave the other provisions dangling, fine (though two-thirds of the Senate has now asked that they all be extended); it ought to finance and extend the housing credit permanently. Most poor people in this country rent; there is only enough subsidized housing for a fourth of them; and most of the rest—nearly half of all poor renters—now have to spend more than two-thirds of their incomes on housing. That's way out of line. A proven program that helps shouldn't be left in annual peril.

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.

####

What Is the Role of Investors and Developers?

Both nonprofit and for-profit developers construct and operate LIHTC housing owned by investors. Developers begin with a project proposal and if that proposal is allocated LIHTCs equity participation by investors is then secured. Each state is required to set aside at least 10% of its LIHTC volume for nonprofit sponsored housing, however, nationwide nonprofits sponsor about 30% of all LIHTC housing. Nonprofit sponsored housing is more likely to be located in distressed inner-cities and rural areas as part of broader community development programs, or serve the homeless, disabled, or other special tenant populations.

Investors participate in affordable housing to obtain the tax credits, since rent restricted, low-income housing cannot generate sufficient cash flow or capital appreciation to otherwise attract investment. The LIHTC is a performance-based incentive, because investors can claim the LIHTC only if housing is built on schedule, occupied by qualified tenants at restricted rents, and maintained properly. As a result, investors assume significant risks and assert strict business discipline in selecting projects and overseeing their development and long term operations.

Is There A Need for New Rental Housing Construction?

Yes, but certainly not in all areas of the nation. That is why under the Credit program States are required to develop housing plans to determine what their housing needs are and then to award credits only to projects which fill the housing needs of the state.

Is the LIHTC Cost-Efficient?

Yes. There are two ways to measure cost-efficiency.

The first is to compare the value of the LIHTC to the amount of investment it generates. Since investors claim LIHTCs over a ten year period, it is necessary to discount the stream of tax benefits to calculate their real "present value". After discounting the value of receiving the dollar of tax benefit over ten years, the amount invested is about 86% of the present value of the 10 year stream of LIHTCs.¹ This is a very high cost-efficiency ratio. Sponsors are naturally motivated to seek the greatest possible investment for the LIHTCs available to a project.

Second, the average housing unit serves low-income tenants for 30 years and receives \$40,000 in LIHTCs - an average cost per year of \$1,333. This is an extremely low cost per year of service.

¹ Assumes a 9 percent discount rate (equal to the current prime lending rate) and a typical investment level of 55 cents per dollar of LIHTC claimed over 10 years.

to allocate a certain amount of tax credits annually based on its population (\$1.25 of credits per capita). States devise tax credit allocation plans that reflect their housing needs. The plans serve as guidelines under which credits will be awarded to projects. Priority must be given to projects serving the lowest income tenants and to those promising to serve qualifying tenants for the longest periods of time. In most states, demand from project sponsors for LIHTCs far exceeds their availability, thus creating an environment where sponsors compete against one another to receive credits. States are required to evaluate each project to ensure it receives only the LIHTCs it needs, and to monitor project compliance with LIHTC requirements. The state agencies, through the National Council of State Housing Agencies, have voluntarily undertaken efforts to strengthen administration and improve the efficiency of the program through adoption of best practice standards. A skeletal staff at the IRS and Treasury interpret policy issues and provide additional oversight.

How Does the LIHTC Work?

Projects are awarded tax credits based on the cost of development. The maximum credit rates that states may award are approximately 9 percent for substantial rehabilitation and new construction costs, and approximately 4 percent for building acquisition and federally subsidized construction and rehabilitation costs, provided annually for 10 years. In exchange for providing equity capital for projects, investors are permitted to use the tax credits against income tax liability. Market rate mortgage financing and public subsidies complete the financing of most developments.

How Does the LIHTC Benefit Low Income Tenants?

Credits are available only for units occupied by low-income tenants at restricted rents, usually for 30 years. At least 20% of each development must serve tenants with incomes below 50% of the area median, or at least 40% of the development must serve tenants with incomes below 60% of the area median. In practice, however, most developments are occupied 100% by qualifying tenants and the Credit is serving households earning significantly less than required by the program. In 1993, 22 percent of all units in Tax Credit projects were targeted to households earning between 30 and 50 percent of median income, and 5 percent were targeted to households earning less than 30 percent of median income, or less than \$11,910 nationally. The LIHTC subsidy is what makes it possible to cover development costs and still keep rents low. The LIHTCs are subject to recapture by the IRS during the first 15 years if occupancy rules are violated.

What Kinds of Housing Are Provided?

The LIHTC produces a wide range of rental housing to suit local needs. It works well in urban, suburban and rural areas. It serves working families, the elderly, the homeless, and other special populations. It produces apartment buildings, townhouses, and single family homes. It stimulates both new construction and rehabilitation. It has been particularly effective serving as a catalyst for community based development and neighborhood renewal.

6/26/95

LOW-INCOME HOUSING TAX CREDIT

What is the Low Income Housing Tax Credit?

The LIHTC is a tax incentive created in the Tax Reform Act of 1986 that is designed to attract equity capital for investment in rent restricted affordable housing. The program encourages the production of affordable housing by offering its owners tax credits for a ten year period based on the cost of development and the number of low income units produced.

What Role Does the Credit Play In Federal Housing Policy?

The LIHTC is the federal government's primary tool for attracting private investment to affordable rental housing. The LIHTC produces about 100,000 housing units annually which represents virtually all affordable rental housing development, and about one-half of all new multifamily construction nationwide. Since the program began in 1987, the LIHTC has generated about \$12 billion in private investment that has financed more than 750,000 housing units for lower income families. This stimulates jobs in the construction industry. According to estimates from the National Association of Home Builders, the 106,000 units of affordable housing produced by the Credit program in 1993 resulted in about 90,000 jobs, \$2.8 billion in wages and salaries, and \$1.3 billion in tax revenues.

What is the LIHTC's Legislative History?

When the tax system was reformed in 1986, the LIHTC was created as a new approach to affordable housing tax incentives. Previous incentives were open ended, poorly targeted tax - subsidies that were susceptible to abuse and long term financial problems. The Credit was created to respond to those problems. Compared with previous housing tax incentives, the LIHTC is better targeted, provides housing for a longer term, is limited in volume, and is more closely monitored. The 1986 Act created the LIHTC's for a period of three years in order to permit the program to be evaluated. The LIHTC was significantly modified in 1989 and temporarily extended for a period of years until it was made permanent in 1993. The Credit has enjoyed very strong support in Congress as evidenced by the 86 Senators and 332 Representatives who cosponsored legislation to make the program permanent during the 102nd Congress.

How Is the LIHTC Administered?

The LIHTC is essentially a tax incentive block grant that is administered at the state level, in almost all cases by state housing finance agencies. Each state is permitted

Chicago Sun-Times

An Independent Newspaper

Sunday, December 21, 1997

Gene
FYI

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.

1. Presentation.

IMPORTANT FACTS ABOUT THE LOW INCOME HOUSING TAX CREDIT

- * Since its inception in 1986, the Low Income Housing Tax Credit (LIHTC) has helped finance estimated 316,128 units of low income rental housing.**
- * Almost 100 percent of the housing units developed with Tax Credit financing rent for less than \$450 per month (1989 dollars).**
- * The LIHTC is now responsible for the production of approximately 125,000 units of low income housing each year. Roughly half are newly constructed and half rehabilitated.**
- * Newly constructed low income housing with LIHTC financing accounted for almost 25 percent of all multifamily rental construction starts in 1990, and 94 percent of all low income multifamily rental housing starts.**
- * Estimates are that, in the next decade, the LIHTC will result in the preservation of approximately 620,000 existing low income rental housing units that otherwise might be lost from the housing stock.**
- * In several states, demand for Tax Credits in 1990 exceeded the allocation authority by as much as three to four times.**
- * The LIHTC has generated \$44.8 billion in economic activity (wages, etc.) since 1986. It is currently injecting \$16.8 billion into the economy annually (based on 1990 rate of production).**
- * Nonprofit community development corporations (CDCs) have come to rely on the Tax Credit to attract equity investments for their housing development projects. The Local Initiatives Support Corporation's (LISC) National Equity Fund, the nation's largest syndicator of nonprofit community-based low income housing, has assisted CDCs produce 8,400 units of housing through Tax Credit financing.
- * The demand for Tax Credit-financed low income housing is extraordinary. In New York City in 1990, 55,199 people applied for 972 units developed with investments from the New York Equity Fund/Enterprise Foundation NYC partnership. In California, 400 applications were filed for a single 24-unit development financed in part by the California Equity Fund. In Miami, a 50-unit complex financed in part by the National Equity Fund has a waiting list of 500.

**Sources: National Council of State Housing Agencies and National Association of Home Builders.

Adjusting the Cap on the Low-Income Housing Tax Credit

Since its creation in 1986, the Low-Income Housing Credit has been widely heralded as a remarkably successful program expanding the supply of affordable housing and helping revitalize economically distressed areas. The Housing Credit has produced almost 900,000 units of housing in the past decade.

The Housing Credit enjoys bipartisan support in Congress and across the nation among state and local government officials. Earlier this year, after an exhaustive 18 month study of the program, the General Accounting Office, reported on the many achievements of the program without finding any problems in need of legislative correction.

However, because the amount of Housing Credit that can be allocated each year is capped relative to the population of the nation, its ability to serve its public policy mission is being eroded each year by inflation.

The amount of Housing Credit that states may allocate each year is \$1.25 times the state's population. This amount has not been adjusted since the program was created in 1986. Since that time, population growth has totaled about 5 percent.

Although building costs rise each year, as does the affordable housing needs of the nation, the federal government's most important and successful housing program is in effect being cut annually as a result of inflation. Since 1986, the purchasing power of the Housing Credit has been eroded by about 45 percent based on year to year changes in the Consumer Price Index.

Given the success of the Housing Credit, its broad bipartisan support among elected officials, and the strong support it also enjoys in the Clinton Administration, the President's Fiscal Year 1999 budget should propose an increase in the Housing Credit cap.

The Housing Credit cap should be increased by 40 percent from \$1.25 per capita to \$1.75 per capita, and indexed for inflation thereafter.¹

¹ This proposal is embodied in S. 1252, legislation that was introduced by Senators Graham and D'Amato in October 1997.

PERCENTAGE OF AVAILABLE CREDITS ALLOCATED*

1987: 20.1%
 1988: 67.3%
 1989: 97.8%
 1990: 67.1%
 1991: 80.5%
 1992: 69.0%
 1993: 77.7%
 1994: 94.7%
 1995: 97.2%
 1996: 97.0%

* This is the amount of tax credit allocated each year compared to the amount available to be allocated.

HOUSING CREDITS REQUESTED

<u>Year</u>	<u>Requested</u> <i>(millions)</i>	<u>Available</u> <i>(millions)</i>	<u>Ratio</u>
1994	\$1,065.2	\$522.6	2.04
1995	\$1,219.1	\$432.6	2.82
1996	\$1,164.9	\$391.6	2.97

Note: Data unavailable for previous years

HOUSING CREDIT UTILIZATION, 1993-1996

Year	Per Capita	Returned	Carryover	National Pool	Total Credit
Total Credit	Credit	Percent	Credit	Credit	Available
Allocated	Allocated				
1993	\$323.4	\$96.1	\$97.3	\$29.7	\$546.4
\$424.7	77.73%				
1994	326.9	79.1	55.6	61.0	522.6
494.9	94.70%				
1995	330.0	75.5	10.6	16.6	432.6
420.6	97.23%				
1996	330.0	46.4	9.0	6.3	391.6
379.9	97.00%				

NOTE: Dollar amounts are in millions.

HOW ARE THE CREDITS CALCULATED?

- LIHTCs are awarded over a period of ten years, in annual amounts equal to:
 - 9% of most construction and substantial rehabilitation costs each year for ten years. Higher credits are available for projects in low-income census tracts and certain high cost areas.
 - 4% of building acquisition, certain subsidized construction and rehab costs.

ALLOCATION OF CREDITS:

LIHTCs are subject to annual state volume caps of \$1.25 per capita. State housing agencies administer the credits and approve project applications.

12/4/92

Low-Income Housing Partnerships Look Good, but Aren't Tax Antidote for All

By KAREN SLATER DAMATO

Staff Reporter of THE WALL STREET JOURNAL

If you haven't already, you're going to be hearing about limited partnerships that invest in low-income housing.

Much of the return on these securities comes from the low-income housing tax credit that President Clinton last week proposed to make permanent. And the idea of reaping hefty annual credits — which directly reduce one's tax bill — has gained added allure with the president's proposal to raise the top tax rate on high earners to around 40%.

"Everyone is going around crying, 'How do I avoid this tax increase?' So these tax credit deals are going to become really hot," says Indianapolis financial planner Gary Pittsford. One big sponsor of low-income housing partnerships, Boston Financial Group, says it had a few days this past week when sales were four times their level of earlier this month.

But a low-income housing partnership is definitely not a tax antidote to be snatched up blindly. "It's not a magic solution," says Washington financial planner Dennis Gurtz, "but it could be a good investment."

Some other planners are less enthusiastic, suggesting the potential returns just aren't high enough to offset the partnerships' illiquidity and their likely lives of at least 15 years. "I can't get excited about them," even with the Clinton tax plan, Mr. Pittsford says.

Investment Restrictions

There are also restrictions on how much people can invest in these programs, and certain people may not be able to take full advantage of the credits.

The low-income housing partnerships got their start under the 1986 tax act, which wiped out most older tax shelters. To ensure that private money continued to flow into low-income housing, tax writers authorized substantial credits payable

over 10 years to investors who build or substantially rehabilitate qualifying apartment complexes.

The flow of credits from a low-income housing partnership can indeed be impressive. Sponsors typically project that within a few years, once buildings are occupied, credits will flow at a steady annual rate of about 15% of the investment. And the credits are typically expected to total around 150% of the initial investment over a period of about 12 years.

"The main thing you are buying is \$1.50 of tax credit for every dollar you invest,"

which works out to an after-tax internal rate of return of about 8%, says Kenneth F. Unger, a senior vice president of sponsor Boston Capital Partners, an unrelated competitor of Boston Financial.

One risk to consider: Investors lose some of their credits if any of the partnership's apartment complexes cease to qualify under the complex credit rules or are lost through foreclosure. There is also a chance that the tax laws could be changed at some point to disallow the housing credits, although that seems very unlikely.

Wide Support

Given the wide support for the housing tax credit among lawmakers, "I don't feel Congress is going to change the tax laws on you midstream," says William G. Brennan, a partner and financial planning

This story on individual investment in low profit funds may be of general interest

The Math of a Low-Income Housing Program

These numbers, prepared by Boston Financial Group for its Tax Credit Fund VII, give an idea of how a low-income housing partnership is supposed to work:

1993

Investor buys \$10,000 of partnership units.

After fees and reserves, about \$7,350 goes into low-income apartment complexes.

1993

Investor gets a stream of tax credits that are targeted to total about \$15,000 over 12 years.

TO

2004

The annual credit is projected to reach a high of around \$1,500 during the years 1995 through 2002.

The sponsor says the after-tax internal rate of return from the credits would be 8.5%.

2008

TO

?

Properties must continue as qualified low-income housing for 15 years, through 2008. It's likely to be a few years past that before all the buildings are sold.

If the properties are sold after 15 years, and the investor's share of the proceeds is \$10,000, the sponsor says the investor's after-tax return would be around 13%.

If the investor receives no sales proceeds and deducts a capital loss after 15 years, the after-tax return would be around 10%.

specialist at accountants Ernst & Young.

The other big questions for investors are when will a partnership's properties be sold and will the investors get back all — or even any — of their principal. The tax law requires properties that earn the credit to continue as qualified low-income housing for 15 years, making sales before then unlikely.

"The programs are likely to run 17 or 18 years," says Georgia Murray, a senior vice president of Boston Financial. Investors who need to sell before then will have to turn to a low-volume, informal partnership resale market.

Meanwhile, low-income housing is not considered one of the most promising sectors of the real-estate market. Both Boston Capital and Boston Financial say they aim to return the original investment, which could boost the investor's after-tax return to 12% or 13%. But that might not occur. "If the real estate does have significant value at the end, that is icing on the cake," but not the reason to invest, says Stephen H. Hamrick, a senior vice president and head of partnership activities at PaineWebber Inc.

Mr. Gurtz, the Washington planner, has decided to recommend low-income housing partnerships to some of his clients after being neutral to negative on them before. One big reason for his change of

mind: today's low yields on fixed-income investments. Getting 8% or more tax-free "would be a very good return, especially when bond yields have come down," he says.

Some Seek Higher Return

But other advisers, such as Mr. Pittsford in Indianapolis, say a return of 8% or so tax-free just isn't enough. "I've got to hold it for a long time, it's illiquid, I'm totally at the general partner's mercy," Mr. Pittsford says. To make that type of investment, he says, he requires a potential return in the high teens.

Robert Wegner, a Summit, N.J., adviser, says he believes clients will do better in plain-vanilla, non-tax-credit real-estate partnerships that have the potential for greater price appreciation.

Interested investors face limits on the amount of low-income housing credits they can use to reduce their taxes each year. The limit is equal to the tax savings from a \$25,000 deduction — that is, \$7,000 for people in the 28% bracket and \$7,750 for people with a 31% marginal rate. Those figures translate into maximum investments in low-income programs of about \$47,000 or \$52,000, respectively. (If tax rates go up, so would the amount investors subject to the higher rates could put into these tax-credit programs.)

Some taxpayers, though, may be un-

able to use the credits, and should consult a tax adviser before investing. These people include married couples who file separate returns and some people who own and actively manage real-estate properties. Credits also don't reduce the tax bills of people who are subject to the alternative minimum tax, the special levy designed to ensure that nobody escapes paying at least some tax.

The complicated tax reporting for partnerships can also mean a bigger bill from one's accountant.

Low-income housing partnerships may be particularly attractive for investors who have other partnership investments that are generating so-called "passive income." Depreciation deductions from the low-income housing partnerships can be used to offset such passive income, although they cannot be used against earned income or other investment earnings. (Corporations, which can use both tax credits and depreciation deductions, have been big buyers of low-income housing programs.)

Finally, advisers say the complexity of the tax-credit area makes it imperative that people invest with experienced sponsors. If these partnerships really soar in popularity, Mr. Brennan warns, "You are going to have a lot of operators in there who have never done this in their lives."

A point for low-cost housing

New study says market-rate projects are more expensive

Low-cost housing often is viewed as a bottomless pit for government funds while privately constructed, market-rate housing is said to be built more efficiently with a greater sensitivity to saving on costs.

But a new study shows it is less expensive to build affordable housing than it is to construct market-rate housing.

"The California Affordable Housing Cost Study," which is scheduled for release this week, compared 14 pairs of market-rate and affordable projects that were matched by construction type, density and location.

The 168-page study was prepared by Bay Area Economics, a Berkeley-based consulting firm, and it found that in nine of the comparisons, the low-cost developments were less expensive to build than the market-rate projects. In the other five, the market-rate developments were more cost effective.

The projects studied were in San Francisco, southern Alameda County, Fresno County, the Los Angeles, Riverside County and San Diego County.

"Claims that affordable housing projects are more expensive just aren't true," said David Shiver, senior associate of Bay Area Economics and project manager for the study.

The study was funded by the Local Initiatives Support Corporation (LISC) and the California Tax Credit Allocation Committee of Sacramento.

Both organizations are involved in distributing federal housing funds through the Low-Income Housing Tax Credit, which offers individual and corporate investors a tax break for investing in affordable housing developments.

Making a case

The study is timely because congressional representatives have criticized California officials for using federal funds on housing projects that are much more expensive to build here than elsewhere. Housing advocates long have argued that the cost of everything is higher here, including housing construction. The favorable comparison with market-rate housing helps to make their case.

Even though the overriding conclusion of the study showed that the charge of cost overruns was unfounded, the report examined several issues that can push up the cost of affordable housing.

■ Affordable housing often involves multiple types of government and private financing, which can drag out the development process and contribute to higher costs.

"These projects depend on several sources of federal, state and local funds, and putting them all together drives up the total cost," said Dan Lopez, president of California Community Reinvestment Corp. in Oakland, which provides financing for low-cost housing developments.

■ Architecture and engineering costs are higher

California Trends

BRADLEY INMAN

on affordable projects in part because developers of low-cost projects have less experience. Moreover, design changes are frequently required on these developments because they aren't "cookie-cutter" deals, according to Stephanie Smith, program officer for LISC.

"We often build on irregular lots and in unusual urban locations where the design and engineering issues are more complicated," said Carol Galante, vice president of BRIDGE Housing Inc., a San Francisco-based non-profit builder that builds low-cost housing.

■ Prevailing wage requirements, which lead to union labor, can significantly increase the cost of producing affordable housing, concluded the study.

It is less expensive to build affordable housing than it is to construct market-rate housing.

Because affordable projects use government funding, union labor is often required. This can bump up the cost from 5 to 15 percent in the Bay Area and 15 to 30 percent in Los Angeles, according to the study.

However, Smith said that "housing is more than bricks and mortars," and she argued that "prevailing wage requirements contribute to higher-quality projects."

Nevertheless, the labor-union issue was a controversial subject among a task force of business, government and non-profit representatives who were appointed by LISC and the Tax Credit Allocation Committee to advise them on the study.

Though there were no recommendations on changing labor union rules, the study task force did recommend several other policy adjustments.

For example, it called for the state to develop a system of cost benchmarks so developers who do the best job of controlling construction costs move to the head of the government-funding line.

"Resources are limited so anything we do to conserve them makes sense," said Ronnie Thiesen, director of Tax Credit Allocation Committee.

BRADLEY INMAN is an Oakland-based syndicated columnist.

Star Tribune

THURSDAY/March 4/1993

NEWSPAPER OF THE TWIN CITIES

Star Tribune/Thursday/March 4/1993

Twin Cities will get 157 units of affordable housing

By Willard Woods
Staff Writer

Construction of five affordable-housing projects in some of the Twin Cities' most distressed neighborhoods will begin soon, thanks in part to \$16 million raised last year in local corporate funding for such projects.

The Local Initiatives Support Corp. (LISC), the nation's largest community development support organization, announced Wednesday that nine Twin Cities-based corporations provided LISC with investment funding for affordable housing and community revitalization. The funding goes into LISC's National Equity Fund (NEF), a limited partnership returning \$233 million to urban areas nationwide.

Not all the money donated by local firms stays in the area. This year the fund will provide about \$11.3 million for three community projects in

Minneapolis, one in St. Paul and one in Roseville. The five projects will provide 157 housing units. It was the first year the Twin Cities have gotten back less than local companies invested.

Since 1987, NEF has provided \$45.3 million for 33 community-based, affordable-housing initiatives in the Twin Cities area, producing about 1,250 homes and apartments.

Under the program, tax credits are allotted to corporate contributors only for the low-income portion of a development and are allowed only after the work is finished and the units are occupied. Eligible projects must set aside at least 20 percent of all units for residents whose annual incomes are 50 percent or less than the area's median income (The Twin Cities median income was \$36,678 in 1990) or they must set aside 40 percent of the units for residents whose incomes are 60 percent or less of the

median. These units must remain affordable for at least 30 years.

Corporations get a return on their investment by obtaining credits that can be applied against their federal income tax. Because investors receive tax benefits instead of cash or capital appreciation, their equity investments reduce the financing costs of the housing developments. That keeps rents low.

The nine Twin Cities-based companies that donated to the fund in 1992 were First Bank Systems, General Mills, Graco, Northern States Power, Northwestern National Life Insurance, Norwest Bank, Piper Jaffray, The St. Paul Companies and United HealthCare Corp.

Minneapolis-based United HealthCare "felt a need and obligation to increase local giving levels and felt this was a good vehicle in which to do this," said David Koppe, United

vice president and treasurer.

The company provided \$250,000 to the fund in 1990 and \$500,000 in 1992. Because more than 50 percent of the company's employees live in the Minneapolis area, United asked that its funds be earmarked for projects in the Twin Cities, Koppe said.

Part of St. Paul Companies' investment strategy includes contributing to affordable housing, said Polly Nyberg, community affairs manager. The company's \$5 million investment last year raised its total contributions to \$18.3 million since 1988, she said.

"We have a commitment to neighborhoods and community redevelopment. But this also gives us the opportunity to have local and national presence," Nyberg said.

Despite the program's merits, it is threatened with possible extinction.

Congress has yet to extend funding for the program, which was part of an urban aid tax package that was passed by Congress last fall but vetoed by President Bush.

Ardent proponents such as St. Paul Mayor Jim Scheibel remain optimistic about its future. Scheibel has joined other mayors in a vigorous lobbying effort to preserve the program.

It is little wonder that he supports it. St. Paul has received more money per capita than any other city — \$15.4 million that produced 285 units since 1987, according to figures from his office.

"We've seen federal tax dollars [to cities] decrease by 75 percent over the last decade. So the low-income tax credit has helped the city move ahead in providing low-income housing in St. Paul," Scheibel said. "It's been a great resource for this city."

Commentary

CHICAGO SUN-TIMES

SUNDAY, FEBRUARY 14, 1993

PAGE 43

Enact a Housing Tax Credit

Another tax break that belongs in President Clinton's economic stimulus package this week is the low-income housing tax credit. Used to raise money from corporations that purchase the credits, this program helps finance affordable housing development in Chicago and other major cities around the country.

The tax credit is a popular program that has been held hostage to politics, getting renewed each year but always to promote less popular measures. As both housing and economic policy goes, it belongs on the fast track and should be made permanent.

Each year, an estimated 110,000 units of housing are produced, thanks to this incentive. It also generates \$15 billion of economic activity, 90,000 jobs and \$1.1 billion in local, state and federal taxes. Immediate passage of the tax credit would mean that housing projects in Chicago and other cities could get under way this spring or summer.

LOW-INCOME HOUSING TAX CREDIT

FACT SHEET

WHAT: The Low-Income Housing Tax Credit (LIHTC) is the primary federal resource for the production of low-income housing. The LIHTC offers investors a credit against federal income taxes based on the cost of acquiring, rehabilitating or constructing low-income housing.

HISTORY: Enacted as part of the Tax Reform Act of 1986, the LIHTC has steadily gained in usage. The Credit now produces low-income housing at the rate of 125,000 units per year.

CURRENT STATUS: While the original LIHTC legislation expired in 1989, Congress has enacted temporary extensions each year since. The last temporary extension expired June 30, 1992 and an urban aid bill containing permanent extension was vetoed by President Bush in November. Throughout his campaign, President-elect Clinton voiced his support for community-based initiatives, mentioning extension of the Tax Credit as a top priority. While the incoming Clinton administration and Congress will have a full plate for their economic stimulus package, early renewal of the Tax Credit is critical to the on-going business of attracting corporate investment and keeping local nonprofit development groups afloat.

HOW DO THE CREDITS BENEFIT LOW-INCOME PEOPLE?

- Investments based on LIHTCs help to finance the cost of low-income housing, making development possible at rents affordable to low-income tenants.
- LIHTCs are highly targeted and available only for the low-income units within a housing development.
- At least 20% of each development must be occupied by tenants with incomes no more than 50% of the area or state median income or at least 40% of each development must be occupied by tenants with incomes no more than 60% of median income.

December 4, 1997

support the rents, and therefore the loan would have been denied. In 1987, with an equity investment of 35% to 50%, and as things proceeded with a soft second to development from the city, the bank's answer began to be yes.

Additionally, the LIHTC provided a new secure vehicle for investments as well as loans, with banks, as you will see, being the single largest category of investors in the Credit among corporate entities.

Impact on communities - The impact of the Credit on distressed communities has been enormous for it has provided an anchor for redevelopment. By addressing the worst housing in a community which is most typically rental housing, use of the Tax Credit has spurred private investment in single family homes, in economic development activity, etc.

Let's use the South Bronx for example. Aside from the 89 Charolette Garden homes, the CDCs in the South Bronx after 1987 concentrated on rental tax-credit financed housing, rehabbing the huge abandoned buildings that dominated the area (you remember where Koch put the decals). The rehab of the largest problem buildings, in turn, created a climate of confidence in which owners of three-flats rehabbed theirs or in which new for-sale homes began to pop up. Commercial strips began to revive due to the increase in population density. And finally, in the past two years new economic development activity has begun to occur, such as the new bank and shopping center in the Bronx.

This is not only true in the South Bronx but throughout the country. In fact, I am enclosing a clip packet on North Kenwood in Chicago which is a text book story of this type of redevelopment.

Asset transfer and base - Another never discussed aspect of this program is that of asset accumulation. One of the reasons for the abandonment and devastation of inner-city communities was the lack of an asset base. In Chicago, Detroit, Gary, the South Bronx, after white owners and businesses left, there was virtually no capital in the community. Even the anti-poverty programs of the 60s and 70s had no impact, as all were essentially pass-through programs with dollars flowing back to the government or to merchants and owners far removed from the community.

With the Tax Credit, we have built community-owned assets. LISC alone, for example, by raising \$2 billion corporate dollars and investing it in community-owned and sponsored developments worth a total of \$4 billion has thus created \$4 billion of wealth for the non-profit corporations of predominantly Latinos and African-Americans, who have become, in effect, the surrogate entrepreneurs of their communities.

On Home and CDBG - Invaluable. You need to understand that HOME and CDBG have been essential. On the one hand these funds, in combination with the Tax Credit make tax credit housing more affordable (and stable). On the other hand, these same wonderful funds have been used to do the ma/pa rehab and create the single-family home ownership housing that is the other half of the South Bronx story.

I'm sure I've missed a lot, but this memo should be basis for you to ask more questions. In addition, I will procure the exact CRA numbers and how they have changed pre- and post-1987.

For your information I am also enclosing other interesting Tax Credit materials and articles. One article deserves mention, the USA Today article about housing in Cleveland, although it doesn't mention it, it is really about the use of HOME funds to create new homeowners.

December 4, 1997

dollars are paid in over a series of years, as Warren Buffet (a major investor in LISC's NEF) puts it, the LIHTC yields an "infinite internal rate of return".

I don't want to be glib about this however. While the Tax Credit made corporate and bank investment in distressed neighborhoods viable, in many cases the risks are quite high, particularly if investors or lender are investing in a single building. What has made LISC's three equity funds successful and safe (a default rate of less than one percent) is the method:

1. LISC's equity funds pool the investment dollars of the corporations and invests them in well over 100 projects per year, thus diffusing the risk of any particular investor or investment.
2. LISC chooses the projects in which it invests not simply on the qualities of the building; rather we look at the sponsoring nonprofit developer and how it fits into the overall plan developed by the organization for that community's revitalization. Thus we ask not only "Is the building viable? But is the group viable? Is the neighborhood viable? Will this project act as a catalyst to further home-ownership activity and economic development activity in the area?"
3. LISC's equity funds have an extensive and comprehensive asset management apparatus which works to ensure the sound financial footing and management of the properties in which it invests.

How the process works.

As you know, states and two cities (NY and CHI) receive an allocation of tax credits based on the \$1.25 per capita formula. Developers submit their planned developments to the allocating agencies and compete for those credits.

At the same time LISC's three equity funds raise capital from tax-paying corporations (mostly banks and Fortune 500 companies) in anticipation of investing in deals in the thirty-five cities in which it has a program, and in other rural locales (through LISC's rural program).

LISC -- through its program officers who work with community-based developers on a wide variety of revitalization efforts (economic development, job creation, home ownership housing as well as rental housing Tax Credit deals) -- learns of, or helps create, deals in its program areas and brings them to NEF.

In partnership with the nonprofits, NEF then works to secure both soft-second financing from government and bank financing from private sources.

While Tax Credit deals in general must remain in service for 15 years, LISC's deals remain in service for 30 years and the corporations gain no profit at the end. It is assumed that the corporate partnership (the limited partner) will sell the building to the CDC (the general partner at that time)

Other good stuff:

Impact on CRA - While CRA was passed in 1977, activity was sluggish throughout the early 80s. The problem for even the most well-intentioned bank was finding viable loans to make. And as the FHA has certainly learned poorly capitalized ventures make bad loans. What the Tax Credit did was to make the loans viable for rental housing construction. For example (as in the earlier example): If a developer in Harlem wanted a \$900,000 loan in 1986 to rehab that 10 unit building, any banker in his right mind would have told the developer that he were out of his -- that the market would never

Marilyn Katz
 MK Communications
 350 West Hubbard
 Chicago, IL 60610
 312-822-0505
 312-822-0568
 MARILYNMKC@AOL

Memorandum

To: John Orszag
 CC: File
 From: Marilyn Katz
 Date: December 4, 1997
 Re: Rough Tax Credit potpourri

The problem: Actually the Tax Credit was created to solve a dual set of problems: One, how to build housing that was of lasting quality and was at the same time affordable to the low income tenants in need of it and two, how to attract a new source of capital to the distressed communities bereft of resources and without access to finance capital.

The solution: The LIHTC solves the problem of affordability by lowering the amount of debt (i.e. mortgage needed to pay for any building by providing as much as 60% of the cost of financing through equity investment.) For example (PURELY HYPOTHETICAL): Say a building in Harlem costs \$1 million dollars to rehab and its contains 10 units of housing, making the per unit cost \$100,000 per unit. Prior to the advent of the Credit, a would-be nonprofit developer would have to finance the project either through a government program (most of which were eliminated in 1980) or with private financing. If the developer were able to scrape together the 10% down payment, the annual financing cost would have meant (particularly in the mid-1980s) that each apartment would have to carry a rent of from \$700 to \$900 a month, just to cover the mortgage. When you add operating and other costs to that (at least \$350 per month), the cheapest rent one could ever charge would be over \$1,000.

With the Housing Credit all that changed. In the beginning, Tax Credit syndicators came in at 30% to 50% percent of a deal, reducing the debt burden in half. In the early years, local governments began to use CDBG for soft second mortgages, reducing further the debt burden

Now, Tax Credit investors come in for 50% to 60% of equity in a deal, which is supplemented by HOME and CDBG second mortgages which both reduce the debt (and therefore the rents) while providing banks with the security they need to make the market rate (or below) loans. Typically government structures their loans to be paid back at the end of the deal. This is actually quite good, because it means that the developer must reduce his/her/their profit at the end of the deal, rather than the tenant paying the financing costs of the government loans.

The Tax Credit created the first real flow of capital back into the communities because it is also a great deal for investors (at least corporate ones or at least those corporate ones that work with LISC – more on that later). Essentially, investors receive credit against their taxes owed to the government, in direct relationship to their investment in a Tax Credit Deal. Typically this means a return of 13% to 16% per annum on their investment, but as (at least with LISC's Equity Funds) their investment

December 5, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
GENE SPERLING

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

Overview

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

Affordable Housing and the Low-Income Housing Tax Credit

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

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

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

Options

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

2. Raise the LIHTC Cap by \$350 to \$600 million and Index for Inflation -- This is a moderate-cost approach that would partially offset the real loss of the credit value since 1986. It would raise the credit from its current value of \$1.25 per capital to \$1.38 to \$1.50 per capita. This proposal would cost \$350 to \$600 million over five years.

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

Recommendation

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

ECONOMIC IMPACT OF THE LOW INCOME HOUSING TAX CREDIT

For the past four years, the Low Income Housing Tax Credit (LIHTC) has served as the primary federal tool for the production of low income housing. Since its inception it has helped create more than 320,000 housing units nationwide, alleviating the nation's acute affordable housing shortage.

But the value of the LIHTC extends far beyond its impact on the housing stock. As a catalyst for housing development, it also serves as a tool for revitalization with a ripple effect that extends throughout the local economy.

The production of each housing unit developed by the LIHTC generates \$140,000 of economic activity. The following charts demonstrate the LIHTC's full economic impact.

ANNUAL ECONOMIC IMPACT OF THE LIHTC: Wages and Tax Revenues*

Wages	\$2.5 billion
Construction	1.0 billion
Other Industries	1.4 billion
(includes manufacturing, transportation, land development, other) -	
Tax Revenues	\$1.2 billion
Federal	1.0 billion
State	.1 billion
Local	.1 billion

TOTAL ECONOMIC IMPACT (Including Multiplier Effect)

Annually:	\$16.8 billion*
Per Unit:	\$140,000
Since Inception:	\$44.8 billion
(1987 - 1991)	

The multiplier effect includes factors resulting from increased wages, property values and tax revenues, such as consumer spending and saving, etc.

*Based on current rate of production, 120,000 units per year.

Data supplied by the National Association of Home Builders.

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

**The Low Income Housing Tax Credit is NOT "Corporate Welfare"
But Its Repeal Would Be Used to Subsidize It**

To treat the Low Income Housing Tax Credit (LIHTC) as "corporate welfare" is inaccurate, unfair, and potentially devastating for the millions of Americans still living in substandard housing who will be deprived of a chance for a decent rental home if the LIHTC is disrupted. Most perverse of all, the revenues raised by the pending Ways and Means Committee proposal to sunset the LIHTC would be used to help reinstate the corporate benefits Congress has previously let expire, including the targeted jobs and R and D tax credit.

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

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

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

The LIHTC was not particularly designed for corporate investors at all. Corporations had not been major low income housing investors and accounted for only about 20% of LIHTC use until recent years. Individuals' investments accounted for about 80 to 100% of the tax credits until then. Nonprofit syndicators, such as the Enterprise Foundation and Local Initiatives Support Corporation, originally pioneered increased corporate investment in nonprofit projects, as individual investment dried up. Corporate LIHTC investment has increased because the General Limitation on Credits in the 1986 Tax Act effectively limits individual taxpayers to one LIHTC investment every ten years.

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

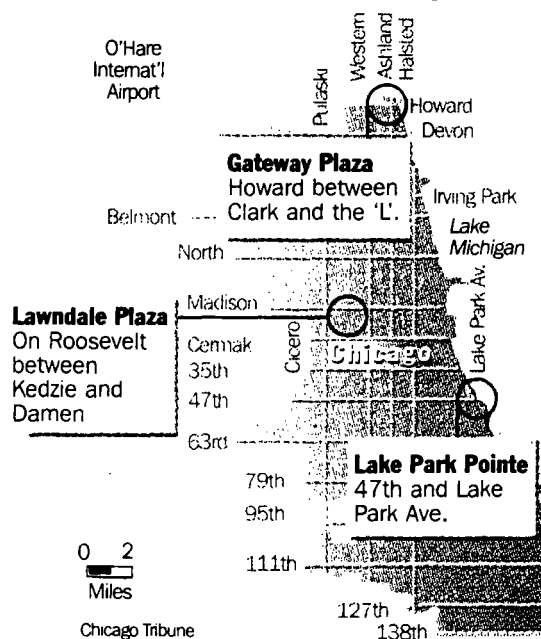
Chicago Tribune

Real Estate

SUNDAY, SEPTEMBER 21, 1997

Opening for business

► Three areas of redevelopment



Work already is under way on a 10-screen movie theater complex near Lawndale Plaza.

Tribune photo by Jose M. Osorio



Tribune photo by Walter Kiele

From Howard Street "L" platform, 49th Ward Ald. Joe Moore (left) and developers Mari Gallagher and Rudi Mulder view site of Gateway Plaza.

Retail development rediscovers long-neglected neighborhoods

By J. Linn Allen
TRIBUNE STAFF WRITER

Suddenly, some of Chicago's deadest commercial streets are rising from the grave.

It's no news any more that big-time development is coming to downtown Chicago in the form of entertainment places, restaurants, hotels and high-rise condos.

What may be obscured by the blockbuster projects announced recently is that new shopping centers meeting basic needs with drugstores, grocery stores and movie theaters are going up in long-blighted areas of the city that major retailers have shunned for years.

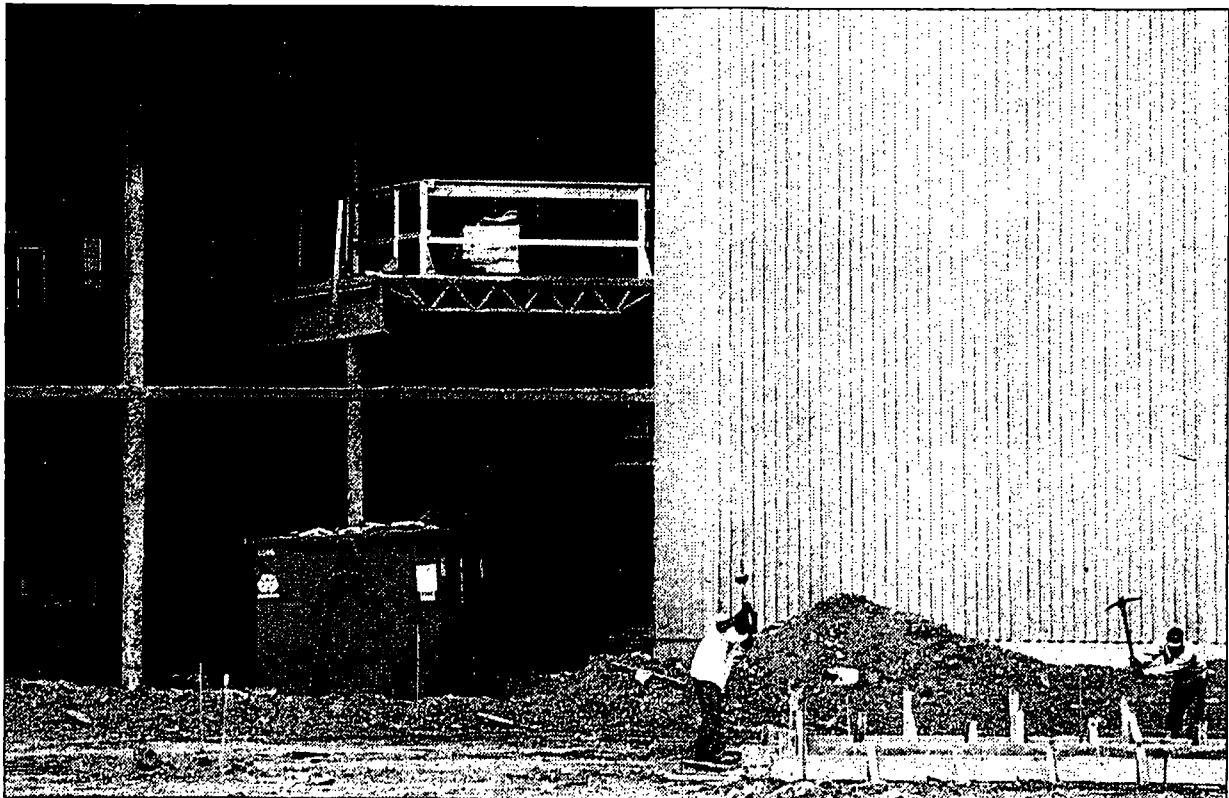
In some cases the centers are projects that have been talked about for decades by neighborhood groups that have tried to fill economic gaps where private investment was lacking.

The talk seemed to go on and on with

nothing ever getting accomplished, but now, as if shaken by a geologic shift, the earth is moving, bringing ripples of commerce, jobs and community pride.

The tremors, in fact, come from a fortuitous alignment of circumstances: a golden economy, retailers searching for new markets, a climbing real estate cycle, newly resurgent neighborhoods, lenders looking for community investments, timely city help, Chicago's improving image, a critical mass of savvy local groups and leaders, and a more positive outlook on development by inner city residents.

"It has to do with a lot of forces," said Martin Berg, director of neighborhood development for the Chicago Association of Neighborhood Development Organizations (CANDO). "The timing for these things is really very good."



Tribune photo by Jose M. Osorio

Work is under way on Lawndale Plaza, an 80,000-square-foot, supermarket-anchored center planned for a two-square-block site on Roosevelt Road between Kedzie and Homan Avenues.



Photo for the Tribune by Brent Jones
4th Ward Ald. Toni Preckwinkle
and developer William Jones view
site of Lake Park Pointe.

Two representative projects, which this summer held ground-breakings and have signed on major supermarkets, are:

■ Lake Park Pointe, a 78,000-square-foot center at Lake Park Avenue on East 47th Street, a desolate South Side artery that has divided prosperous Hyde Park and South Kenwood from ghetto poverty for almost half a century. A Hyde Park Co-op grocery store and Walgreen drug-store will anchor the strip.

■ Gateway Plaza, a bold and ambitious complex with almost 300,000 square feet of space sprawling over 31 acres along Howard Street between Clark Street and the Howard "L" station at the north end of Rogers Park almost at the city's boundary with Evanston. Set to be included are a Dominick's supermarket and a 14-screen Cineplex Odeon.

While Howard Street never fell to the level of 47th Street and some other devastated commercial strips, it has long been settled in a trough of seedy decay and plans to revitalize both the street and the CTA station have been stalled for more than 10 years.

Another project could become an example of an even more remarkable rebound: Lawndale Plaza, an 80,000-square-foot, supermarket-anchored center planned for a two-square-block site on Roosevelt Road between Kedzie and Homan Avenues that will also contain a 10-screen Cineplex Odeon movie theater. The theater is under construction.

The project is in the middle of North Lawndale, one of the most devastated areas of the city, which never recovered from the riots of the 1960s and became a byword for hopelessness, losing about half its homes and population from 1960 to 1990.

The shopping center is still in the final planning stages, and the site's long history of failed dreams don't encourage confident predictions of success. On the other hand, the walls are up for the movie complex, which is being developed by a separate company and a successful Walgreen drug-store was put up across the street in 1995.

These three projects stand out because the areas they are in have been so sorely neglected by retailers, but they are in fact part of a quiet retail renaissance that has been going on in many parts of the city over the last couple of years—and in other cities around the country as well.

Locally, City Hall has quietly been conducting a program called Retail Chicago since 1994 to sell neighborhood commercial districts to retailers, and recently announced a \$3.5 million pilot program to strengthen several such areas through special technical services, redevelopment assistance and physical improvements.

"There's a whole new sense of the value of the city," said Andrew Mooney, program developer for the Chicago office of the Local Initiatives Support Corp. (LISC), a funding and support group for community organizations. "Retailers who have saturated the suburbs are looking for new markets."

The inner city got a boost from academia in an influential 1995 Harvard Business Review article, "The Competitive Advantage of the Inner City," by Michael Porter, a Harvard Business School professor.

Porter argued, among other things, that buying power in the inner city is as great as in the suburbs because greater population density offsets lower incomes.

And U.S. cities on the whole are getting better press, although there are always exceptions. Urban crime is down on average, welfare rolls are dwindling and downtown residential and entertainment-oriented redevelopment is growing—and Chicago has taken a lead. An economic downturn could change all that, but it's not considered likely any time soon.

Despite the appearance that the new projects in North Kenwood, North Lawndale and Rogers Park came together in a 1997 summer of retail love, each has a long, complex history that illustrates how tough it has been in the past to get such centers developed and how local as well as macroeconomic conditions have to be right for anything to happen.

The idea of a shopping center at 47th and Lake Park had already been around some years before it became part of a larger redevelopment plan that venerable real estate guru Ferd Kramer of Draper & Kramer was advocating for the North Kenwood-Oakland area back in the mid-'80s.

But the Kramer plan died amid the political and community struggle over the fate of the Chicago Housing Authority Lakefront Properties, six bleak high-rises that loomed over the area about eight blocks away. It seemed as if another good idea was wasted.

In the ensuing 10 years, however, the city and CHA leadership have changed, a plan has solidified to replace four of the CHA buildings with low-rise homes, and more than 1,200 units of new housing have been built in the

area, mostly by non-profit groups. There is still substantial blight, but a new look is emerging.

People tend to overlook the fact retail development follows housing development, said Paul Grogan, national president of LISC, which has mostly helped community groups build housing over the years. "To recreate the market, you must start with housing recovery," he said.

LISC is putting \$1.5 million in the \$9.1 million project through its

program called The Retail Initiative. The developer is the Fund for Community Redevelopment and Revitalization, a local not-for-profit group.

The crucial function of residential development is also evident at Lawndale Plaza and the adjacent cinema complex. One neighborhood leader said there's no way retail development could take place at the site without the Homan Square residential project, which has put up more than 150

new housing units on the site of the old Sears headquarters two blocks away and plans an eventual total of 600.

"That's a no-brainer," said Robert Steele, director of the Lawndale Business and Local Development Corp., a non-profit group supported by the Chicago Department of Planning to help bring business to the area. "Had it not been for the volume of housing units at Homan Square, there wouldn't be a market."

Other problems that often seem to block projects in blighted urban areas also played their part in delaying development there. The prestigious Urban Land Institute crafted a plan for a shopping center on the Lawndale property in 1986, when it held its convention in Chicago, but the plan foundered amid local political infighting complicated by financial issues and difficulties in assembling the site.

Now, said Steele, the community is solidly behind the development, having tired of waiting for something to happen. The developers are Pyramidwest Development Corp., a local realty and development group that has had an interest in the land since the early 1970s and Venterra Sales and Management, another realty firm.

It's no coincidence that the 47th Street and Lawndale projects either directly or indirectly involve a Walgreen store. Walgreen Co. has been a trail-blazer in reinvesting in the inner city in Chicago and elsewhere.

"We looked at what trade areas we weren't serving, and Lawndale was a gaping hole," said Tom Connolly, director of real estate for Walgreen's western division. "Even though there was no strong retail, there was an enormous pent-up customer base."

The Lawndale store has performed well and is acting as a catalyst for further retail development in the area, Connolly added.

The Rogers Park project has a somewhat different history than the other two, being in an area that has remained vibrant over the years even though somewhat dilapidated and weighed down by

proximity to a few blocks of high-density poverty.

A multi-use complex has been an on-again, off-again proposition for more than 10 years, held back partly because of its sheer size and cost, which is expected to total \$60 million. Other complicating factors are the involvement of the city, which is putting up \$8 million in TIF funds, and the CTA, which is expected to spend millions of dollars to remodel the "L" station.

Like the others, however, it has also been bedeviled by struggles among community groups. In the past, "everybody wanted a piece of it," said Mari Gallagher, executive director of DevCorp North, a not-for-profit group developing the project with Combined Property Development Corp., a private real estate firm.

In part because of that, the project was also needlessly complicated, involving housing as well as retail development, said Gallagher. Plus the market was different, she pointed out. In the late 1980s, real estate was going into a slump and most retailers were still reluctant to come back to inner city neighborhoods.

But Rogers Park too has been changing since then. The city's northernmost lakeshore community went through a period of relative decline in the late 1980s, but has stabilized and been showing signs of reinvestment with increased condominium conversion in the last couple of years.

Gallagher said the community, which was outraged when its core supermarket closed in 1993, strongly backs the center, whose anchor tenant is to be a 70,000-foot 24-hour Dominick's.

Chicago Defender

Thursday, July 31, 1997



Defender/Rod Veal

New business moves in

Robert Lucas (from left), and Risa Davis (with shovel), were among the participants at the groundbreaking Wednesday for a new shopping center at 47th and Lake Park.

South Street Journal

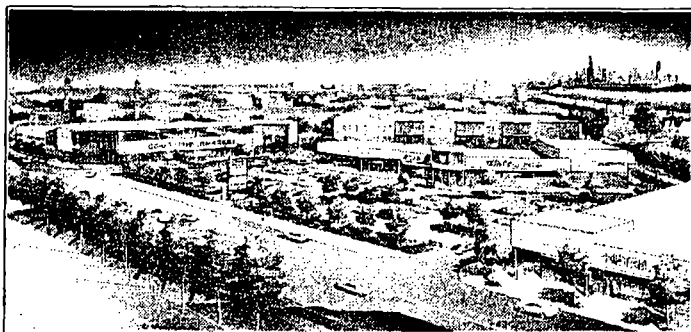
August 14, 1997

Condos, Shopping Centers, Senior Housing, Housing Development; for more Mid-South Development

The Mid South area is just about the fastest growing area of Chicago, transforming the once neglected area into a vibrant neighborhood with stores, residences and attractions. In the last two weeks announcements were made for

the ground breaking of commercial and job development to affordable and luxury housing: the 47th Street Lake Park Plaza, the Washington Park area development of 500 homes and the Washington Park Senior housing.

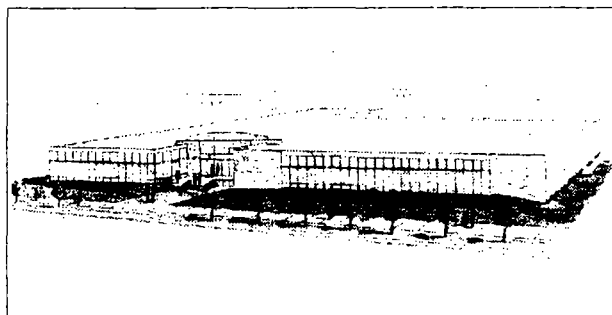
The Fund for Community Redevelopment and Revitalization, (The FUND) kicks off New Shopping Center at 47th & Lake Pk



On July 30th a ground breaking ceremony was held to mark the site of the new Lake Pointe Shopping Center at 47th & Lake Park, something North Kenwood-Oakland Community hasn't seen in fifty years.

(Story on page 5.)

CHA Begins Construction Work On Charles Hayes Family Investment Center



The redevelopment of a South Side Chicago landmark, the Packing House, also known as Times Square, is to become the Charles Hayes Family Center

(Story on page 3)

St. Edmund's Redevelopment Corporation Senior Housing In Washington Park



Photo by Paul McGrath

Taking part in St. Edmund's Redevelopment Corporation (SERC), breaking ground for a \$4.6 million housing development for elderly, (L to R: Adele Polk; Beverly Bishop, HUD; George Haley, U.S. Postal Rate Commissioner; Rev. Dr. Richard L. Tolliver, St. Edmund's Redevelopment Corp.; Lerone Bennett, Jr. Ebony Magazine; Andrew Mooney, LISC/Chicago; and Ald. Arenda Troutman, 20th Ward.

New Phase of Lake Meadows, Draper and Kramer's Townhomes and Condo



Newest chapter in the successful progression of Lake Meadows unfolds Aug. 1 with the grand opening of condominium and townhome sales, announced Draper and Kramer Incorporated, the community's long time manager.

(Continued from page 1)

Lake Park

By Larvern Brown
Staff Writer

Kenwood - Construction is expected to begin in September and once completed, it will house a new Co-Op store. As a community owned supermarket, the name Co-Op has become a Chicago institution, in business more than fifty years. Other businesses located here will include: a Walgreens Pharmacy, a Citi-Bank branch, a Dock's restaurant, a dry cleaners, a copy shop, an interior design company, an insurance company, a doctor's office and other services.

Situated on 78,000 square feet of land, Lake Park Pointe is being developed by a partnership that includes The Fund for Community Redevelopment and Revitalization, (The FUND); Trkla, Pettigrew, Allen & Payne, a private planning and development firm, and The Retail Initiative (TRI) an affiliate of the Local Initiatives Support Corporation (LISC)

The FUND's Executive Director William Jones says they have been organizing this for five years. Their Chairman, Dr. Arthur M. Brazier, is a long time civil rights activist and civic leader and also the Pastor of the Apostolic Church of God in Woodlawn added "This is an economically integrated neighborhood that gives vitality and life to any community. We want Kenwood-Oakland to be a neighborhood of choice." Former 2nd Alderman William Barnett also attended the ceremony. He felt, "It's

an addition that's needed. It will be a location for a lot of businesses that worked to expand this service to the community. Seeing this will give them the opportunity to do so. If it's not beneficial to the community, it's not beneficial."

Residents in the area seem to have mixed emotions on the location. An elderly man sitting on the bench commented but was unwilling to give his name said he's on a fixed in-

come and is always on the lookout for reasonable prices. He doesn't feel all Walgreen stores offer the same prices on medication. He has lived on 45th & Greenwood for 38 years. Although this location will be closer for him, he will continue to shop at the 51st street store. He added, this shopping center will help the younger generation with jobs. Martha Pierce has lived in North Kenwood-Oakland for 4

(Continued on page 8)

(Continued from page 5)

Lake Park

years. She says, "Something like this will bring out the neighborhood more. With more whites moving to Hyde Park, it's nice to see the city is finally keeping the neighborhood clean." Leonard Rogers has only lived here since April. Already he sees this as bringing more jobs to the community. "Residents will have better access to certain things and they won't have to go so far out to shop."

Job placement in Lake Park Pointe is being handled by the Kenwood-Oakland Community Organization (KOCO). They have presented a plan that they are negotiating. They will

propose that they receive resources to identify, recruit, train and place residents from the immediate community in income earning positions in the shopping center. Bob Lucas, KOCO's president, is also on the board of directors at The FUND, says, "to the extent that they don't find enough qualified persons to fill all vacancies, they will search outside of Kenwood-Oakland to communities such as Douglas and Grand Boulevard." He says, they will be the primary base for anyone seeking employment. Those interested in working at the new Lake Pointe Shopping Center should contact Larry Steele at KOCO.

Shoreland News

Chicago, Gary,
Lake County, IL

August 9, 1997

Groundbreaking Ceremony For First Community-Owned Supermarket

Ten years ago, North Kenwood-Oakland's first-ever low income housing tax credit investment was made in the vicinity of 47th St. and Lake Park Ave. Since that time -- as a result of innovative development strategies, comprehensive community planning and extensive cooperation and collaboration -- much has improved in this near south side community. To culminate this hardwork, the Local Initiatives Support Corporation (LISC) and The Fund for Community Redevelopment and Revitalization (Fund) will announce one of the first-ever investments by LISC's affiliate, The Retail Initiative (TRI), in Lake Park Pointe, a supermarket-anchored shopping center on the corner of 47th and Lake Park. When completed, the retail complex will serve the low-and moderate-income residents of North Kenwood-Oakland as well as the middle- and upper income residents of Kenwood and Hyde Park.

Mayor Richard M. Daley joined LISC President Paul Grogan and Dr. Arthur M. Brazier, chairman of the Fund for Community Redevelopment and Revitalization, to break ground on Lake Park Pointe, the first community-owned supermarket complex in the nation centered through the Retail Initiative (TRI), an affiliate of LISC. While significant in its own right, it is also the first of more than a dozen TRI investments nationwide -- three of which will break ground this year. LISC's TRI also announced the locations of its first round of investments in Harlem and New Haven. Others participating in the ground breaking are: 4th Ward Alderman Toni Preckwinkle, TRI President Peter Borges, Bill Jones, executive director of the Fund, and Clifford DiLorenzo of Trkla, Pettigrew, Allen & Payne.

Realty & Building

Chicago, IL

August 2, 1997

North Kenwood-Oakwood's First New Supermarket In Decades Breaks Ground at Lake Park Pointe

The South Side was the site of a groundbreaking for a new community-owned, supermarket-anchored shopping center. The construction reverses a decades-long trend of inner-city abandonment by grocery stores.

Lake Park Pointe, a 78,000 sq. ft. shopping center at 47th Street and Lake Park Avenue, is the North Kenwood-Oakland community's first new shopping center in 50 years. It is being developed by a partnership that includes: The Fund for Community Redevelopment & Revitalization, a local nonprofit community-based developer (or CDC); Trkla, Pettigrew, Allen & Payne, a private planning and development firm; and The Retail Initiative (TRI), an affiliate of the Local Initiatives Support Corp. (LISC).

The \$9.1 million Lake Park Pointe is in a community that once was one of the city's poorest, but that in the last decade has been the site of extensive new housing construction. When completed, the shopping center will house the supermarket operated by the Hyde Park Cooperative Society (Co-op). There will also be a Citibank branch, a Walgreen's, a Dock's restaurant, a dry cleaners, a copy

shop, an interior design company, an insurance company and other services. Lake Park Pointe is one of TRI's first five investments, and one of three that will break ground over the next six months.

In addition to Lake Park Pointe, the Fund is currently involved in the development of 10 two-flats at Drexel Boulevard and 44th Street; of 41 new single-family homes and two-flats on Kenwood Avenue under the City of Chicago's New Homes for Chicago program; and the rehab of two vacant buildings (at 4001 S. Ellis Ave. and 811 E. 46 St.) into 102 rental apartments.

The Co-op began as a buying club during the depression and opened its first store soon afterwards. In 1959 it became the cornerstone business of a new Hyde Park Shopping Center. When completed, the Co-op store at Lake Park Pointe will

be the largest single consumer-owned food cooperative in the country.

LISC created TRI in 1994 to help community-based developers attract commercial development to inner-city areas through ownership and development of commercial properties. TRI began with an initial investment of \$24 million from 10 national corporations. It is expected to help community groups develop 12 to 14 supermarket-anchored shopping centers and create 2,000 permanent jobs.

TRI this year is also breaking ground on supermarket shopping centers in Harlem and New Haven and is finalizing details for developments in Boston and Philadelphia.

In addition to \$1.5 million in TRI equity, Lake Pointe Place is being financed with help from the City of Chicago, Hams Bank and LISC.

The Chicago Crusader

August 2, 1997

South Side neighborhood slowly rises from oblivion

By Elaine Hegwood
Bowen

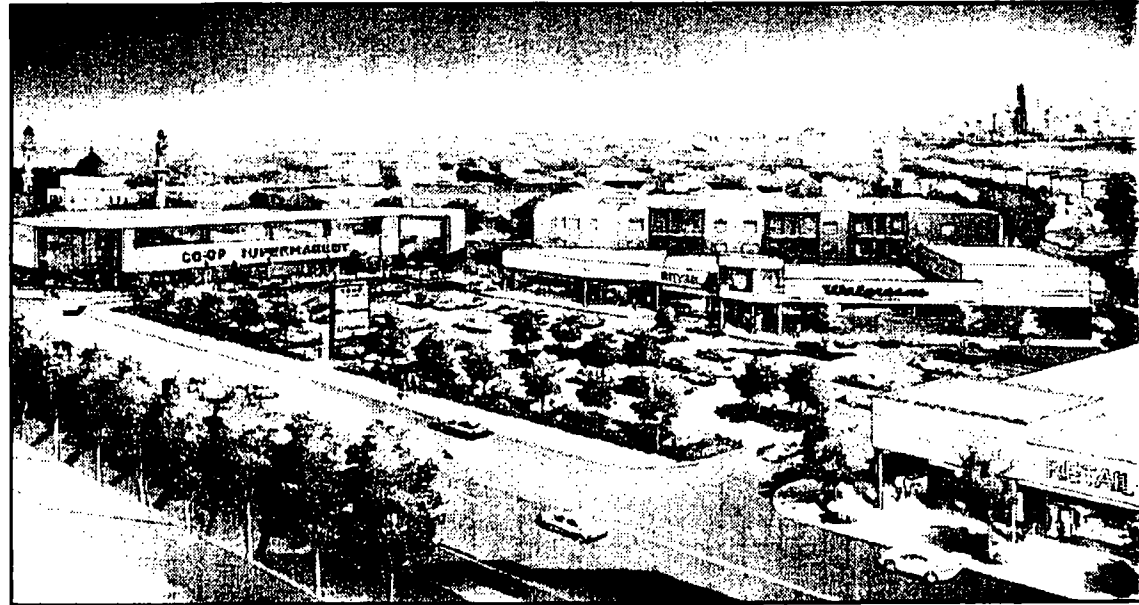
The North Kenwood-Oakland community has undergone a rebirth of sorts during the past 10 years. Approximately 1,000 new housing units have meant an upsurge in population for an area that once was depressed both socially and economically.

Now the residents in this neighborhood that borders 36th to 47th streets and Cottage Grove Avenue to the Illinois Central Railroad can anticipate a new supermarket at which to shop.

Wednesday, July 30, brought with it a new day and ground breaking for a new community-owned, supermarket-anchored shopping center. The 78,000 square-foot shopping center will be built at 47th Street and Lake Park Avenue and will include service-oriented businesses such as a bank, pharmacy, restaurant and dry cleaners.

The project, known as Lake Park Pointe, will also house an interior design company and insurance agency and will cost approximately \$9.1 million to develop.

The development is being funded by the Fund for Community Redevelopment and Revitalization, a local community development corporation, Trkla, Pettigrew, Allen &



Payne, Local Initiatives Support Corporation and The Retail Initiative. The City of Chicago and Harris Bank are also financial supporters.

This mix of monetary support from private businesses and government has been seen as a blessing for neighborhoods throughout the United States.

"With corporate and government support, nonprofit community developments have revitalized some of our nation's toughest neighborhoods—from the South Bronx and Harlem to Hough in Cleveland, and from Miami's Liberty City to Chicago's South and West Sides," said LISC President Paul Grogan. "Today, with the same de-

termination, these CDCs are working to create the commercial services and jobs that every community needs."

And just as religion has served as a linchpin in most African American communities, it is only fitting that a minister is involved in the development of Lake Park Pointe.

"North Kenwood-Oakland shared the fate of hundreds of other African-American communities in the 70s and early 80s—flight of building owners, banks, stores, jobs—you name it, it was gone," said Pastor

Arthur M. Brazier, chairman of The Fund. "Today's groundbreaking is a commitment to ensure that North Kenwood-Oakland continues to thrive, not only as a market for, but as supplier of, the goods and services this community needs and deserves."

Not only will the project upstart business opportunities, but these opportunities mean at least 50 construction jobs and nearly 100 full-time jobs after completion, which is anticipated for Fall 1998.

THE NATION

National retailers cashing in on inner cities

Scorned for years by businesses, urban neighborhoods are the new source of profit for retailing and entertainment giants and financial services. And residents hope the new shopping areas will help resurrect their communities.

By Debbie Howlett
USA TODAY

CHICAGO

If Carolyn Smothers wants to see a movie, the nearest theater is downtown, four miles away. That's where the closest bank is, too, so she uses a check-cashing service instead. If she needs groceries, she has to lug a few bags at a time from a store nearly a mile away.

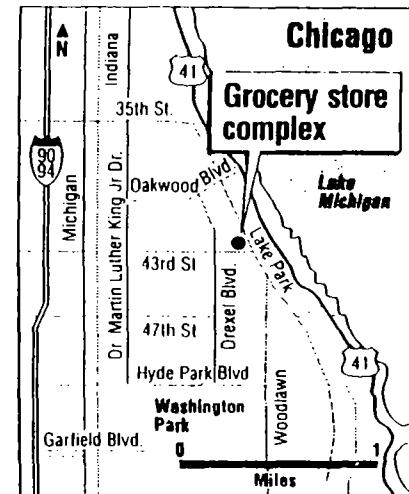
Smothers, who doesn't own a car, lives in North Kenwood, a blighted area of the city where the only businesses are a liquor store, a laundry and a seafood take-out restaurant where the cashier shouts to be heard from behind a thick Plexiglas protective shield. But in her poor minority neighborhood and other inner-city neighborhoods like it across the country, that's beginning to change.

Leading the way are banks, pharmacies, theaters, grocery stores and national retailers who have begun to view the inner city as an untapped market of enormous potential.

"There's money to be made," says Paul Grogan, president of the Local Initiatives Support Corp., a national group that matches community developers with corporate investors. "The pure private market has taken note."



Checking the site: Paul Grogan, left, president of the Local Initiatives Support Corp., and the Rev. Arthur Brazier, a longtime civil rights activist, leave the vacant lot that is the proposed home of a future supermarket in Chicago.



By Jerry Mosenk, USA TODAY

"It's win-win, all the way. It's good for the community, and we make a profit."

— Donald Mullane,
an executive vice president
at Bank of America

By John Zich for USA TODAY

In Chicago, for example, a dozen big-name corporations are backing the \$9 million suburban-style grocery store complex in North Kenwood, complete with a Citibank branch, Walgreen drugstore, Docks seafood restaurant and an insurance office now under construction. Similar projects by the same investors will soon break ground in Harlem, N.Y.; Boston; Philadelphia and New Haven, Conn.

Investors expect a 10% rate of return from rents. Residents of the blighted communities expect the new shopping areas to help resurrect their neighborhoods.

"It's win-win, all the way," says Donald Mullane, an executive vice president at Bank of America, one of the corporate investors. "It's good for the community, and we make a profit."

Five years ago, even one inner-city store with sparkling decor, wide aisles and reasonable prices was an anomaly anywhere.

The profit motive

A few retailers ventured into the inner city, but those efforts were mostly sporadic and tentative — almost experimental. They were driven largely by the lure of government subsidies and tax breaks.

The motive now: profit.

"The suburbs are over-stored, profits are declining and retailers are looking for new opportunities," says Ann Habiby of the Initiative for a Competitive Inner City in Cambridge, Mass.

Retailers first looked overseas for those new markets but many found better opportunities closer to home, in the inner cities that are densely populated and grossly under-served.

Prospects can be enticing.

Take groceries: As much as 40% of the market is not being served, Habiby says, and that market nationwide could total \$20 billion a year.

There are also opportunities for other essential community needs like banks, pharmacies, theaters and restaurants. "It really is a perfect world for us," says Pat Burns of Cineplex Odeon, which is targeting inner-city areas all over the USA and Canada. It already has built one multiplex in an inner-city Chicago neighborhood and has plans for three more, one of them a mile from North Kenwood.

"Statistics show minorities are more frequent movie-goers," Burns says. "That's astonishing when you consider how inconvenient it is to get to (theaters) from some areas."

Credit revolution

Retailers began moving out of the cities when their customers moved to the suburbs. In inner cities, that process was speeded up once affluent black families began moving out in the mid- to late '50s. And it reached its peak after the urban race riots of the mid-60s.

Federal lawsuits in the 1980s forced banks to stop discriminating against inner-city loan seekers — Grogan calls it a "credit revolution" — but they also helped open bankers' eyes to new opportunities.

Bank of America has made \$15 billion in mortgage loans to inner-city residents since the early 1990s. "They perform on average similarly to other mortgage portfolios. They are not quite as profitable, but they are profitable," Mullane says.

For all the optimism, retailers do have reservations. "Nobody expects this to be the promised land," says Chris Walker of the Urban Institute, a Washington, D.C., think tank. He says there's a limit to how much development inner cities can support.

It's expensive to invest in the inner cities. There are security concerns, and developers must be able to package several parcels of land into a lot

big enough to handle retail outlets and parking.

There are marketing decisions to be made also. Habiby says market surveys show minority consumers in grocery stores are more interested in brand-name quality than in the lowest possible price. They tend to favor stores with a butcher on site to cut meat to their specification.

Walgreen stocks specialty items in demand — cosmetics tailored to darker complexions in black and Hispanic neighborhoods and Afro-centric greeting cards in predominantly black areas, for example.

"We can come in, take care of those needs and make a good business for ourselves," says Michael Polzin, a Walgreen spokesman.

Reviving communities

While the rewards are rich for retailers, the effect on a neglected neighborhood can be even greater.

North Kenwood lies in near ruin along Lake Michigan.

Its once grand graystones were home to prosperous African-American doctors, lawyers and bankers. After World War II, upwardly mobile blacks fled this neighborhood as quickly as whites fled other neighborhoods. Now, the broad boulevards are overgrown with trees and the grand houses are boarded over.

The Rev. Arthur Brazier, a long-time civil rights activist, is the force behind rehabilitating North Kenwood. The past 10 years his Fund for Community Redevelopment has brought in 1,000 new units of mixed-income housing in the \$99,000 to \$250,000 range. And while the area is becoming a bit more gentrified, developers hope to keep it affordable for poor and middle-class residents.

"In some ways, it's the hottest neighborhood we've got," says Margie Smigel, a real estate agent with Urban Search. "People feel it's the next great neighborhood."

But, Brazier warns, "A community cannot thrive if there is no economic development there."

And that's the idea behind Lake Park Pointe.

The city, as part of its \$1 billion neighborhood-improvement effort since 1989, packaged the land into one large parcel and agreed to improve sewage, streets and other infrastructure.

That greased the way for federally backed community developers, who found the financial backers through the privately supported Local Initiative Support Corporation.

The new stores, in turn, create jobs where they are sorely needed. The 78,000-square-foot grocery store, part of the Hyde Park Co-op chain, will create 250 jobs alone.

"Few things are more powerful than grocery stores as neighborhood (job) multipliers," Grogan says.

It all seems clear to Smothers, who has been hired at a soon-to-be-built Blockbuster video store just down the street.

"I can't tell you how great this will be," says Smothers as she waits for a bus at 47th and Lake Park Road where earth movers cleared the vacant lot of debris. "Eight years ago we moved here because rents were low, even though it was a mess."

Now, Smothers' only concern is whether she'll be able to afford the rents here once rehabilitation is complete.

The New York Times

WEDNESDAY, JULY 30, 1997

National Report

In Chicago, Finding Hope in a Shopping Mall

By DIRK JOHNSON

CHICAGO, July 29 — No wars or riots or earthquakes scarred the Kenwood-Oakland section on the South Side. It just looked that way.

More dead than alive a decade ago, the neighborhood had empty lots and vacant buildings that accounted for about 70 percent of all property.

On one of those empty tracts, a construction shovel will scoop out the earth Wednesday, the realization of what some long-suffering residents consider a miracle on 47th Street: the neighborhood is getting its first supermarket in more than 50 years.

"We're turning things around," said the Rev. Arthur Brazier, a 76-year-old bishop in the Apostolic Church of God, and a leader of a community group that worked to get the new business. "Ten years ago, nobody wanted to be here. Now we're giving people a reason to stay."

Ground will be broken Wednesday for a \$9 million shopping center that is to include the supermarket, Hyde Park Co-Op, as well as a Walgreens drug store, a Citibank branch, a dry cleaners, a copy shop, a restaurant and other stores.

"Retailers are coming to see that there is money to be made in these neighborhoods," said Andrew J. Mooney, an official with the Local Initiatives Support Corporation, which helped finance the building. "These were untapped markets."



Floyd DeGrane for The New York Times

Workers clearing the site for a shopping mall to be built on Chicago's South Side, where empty lots and vacant buildings have dominated the landscape. The mall will bring the area its first supermarket in over 50 years.

In a sign of growing commercial interest in inner-city neighborhoods, construction on new supermarkets is scheduled in the next six months in Harlem, Boston, Philadelphia and New Haven.

While a booming national economy accounts for some of the growth, favorable Federal tax laws in the last decade also have motivated developers. And many cities like Chicago have aggressively courted developers and offered incentives in poorer neighborhoods.

The retail growth in Kenwood-Oakland, south of the Loop, and other inner-city Chicago neighborhoods follows a surge of residential construction and renovation.

Indeed, mortgage lending in low-income neighborhoods of Chicago has been growing at a much faster pace than in more affluent areas, said Malcolm Bush, the president of the Woodstock Institute, a nonprofit group that promotes investment in poorer areas.

Between 1990 and 1994, the number of mortgage loans in the city increased by 50 percent, Mr. Bush said,

while home loans in low-income areas grew about 85 percent.

Initially, much of the increased banking presence could be attributed to stricter enforcement of the Community Re-Investment Act, which requires financial institutions to put money into their communities.

"They were reluctant to do it at first," Mr. Bush said. "But it has now been demonstrated that it can be profitable."

In some measure, the residential growth in South Side neighborhoods like Bronzeville and Kenwood-Oakland, both predominantly African-American communities, resembles some of the gentrification associated with prosperous young white professionals in North Side neighborhoods like Bucktown and Wicker Park.

Some of these neighborhoods are a few blocks from Lake Michigan, and less than 10 minutes from the Loop by train.

Gladys Taylor, a 42-year-old vice president at a Chicago advertising agency, had lived for many years in the affluent Old Town section of the city's North Side. But Ms. Taylor,

A sign of growing business interest in the inner city.

who was born in the Ida B. Wells housing project in Kenwood-Oakland, said she had dreamed of buying one of the grand old buildings there and refurbishing it.

Two years ago, Ms. Taylor and her husband bought a turn-of-the-century three-story stone house with 14-foot ceilings and five fireplaces. They paid \$60,000. So far, they have invested \$170,000 in renovations, and have a long way to go.

Before they bought the house, many people, including some lenders, told Ms. Taylor it was a foolish risk. But now her investment is looking smart. An appraisal last year set the home's value at more than \$275,000, she said.

"It has always been a dream of mine to come back to this neighborhood," said Ms. Taylor, whose family moved to the south suburbs when she was 6. "I wanted to live among my people."

She added: "A lot of us who go to school, and then achieve some success, never look back. I think that has led to our demise to a large degree. I wanted to give something back."

In an article in *The Harvard Business Review*, "The Competitive Advantage of the Inner City," Michael Porter has cited location and density as powerful draws for businesses.

Chicago-based Walgreens, which owns more than 2,000 stores nationwide, has been particularly aggressive about opening stores in inner-city neighborhoods.

"As we grow, we're going back looking at high-density urban markets," said Michael Polzin, a spokesman for Walgreens. "We've discovered there is more business to be

done in these areas."

For decades, the Kenwood-Oakland neighborhood has been dominated by large public housing projects, such as the Ida B. Wells complex. But those towers of poverty, which cast a shadow across the neighborhood, are being torn down.

To replace them, the city is building much smaller town houses and dispersing them in scattered-site housing, including about 250 units planned for this neighborhood.

Herb Cobb, the owner of a print shop, will be a tenant in the new shopping center. His store had been in a partially-burned, dilapidated building on the same site.

Even though his rent will increase about 300 percent, to around \$3,000 a month, he said the growing businesses should make it worthwhile.

"In the old place, you could see scores from flames on the back walls," said Mr. Cobb, 40, who lives across the street from the 47th Street site. "It was badly in need of help."

Mr. Cobb, who has operated the print business since 1990, said people in the neighborhood have been talking about a new supermarket and shopping center for many years.

"The old-timers would shake their heads," Mr. Cobb said, "and say, 'Aw, they've been talking about something like that for more than 20 years, and they haven't done anything yet.' Well, now they've done something."

Josh Deth, the director of member services at the Hyde Park supermarket, said the decision to open a store on 47th Street was not unanimous.

"There were people who said it's too much of a risk," Mr. Deth said, "and asked why we should put our necks on the line."

But he said a majority believed it was the right thing to do for the good of the community. And it made business sense.

"There are a lot of people moving in," Mr. Deth said. "And everybody's got to eat."

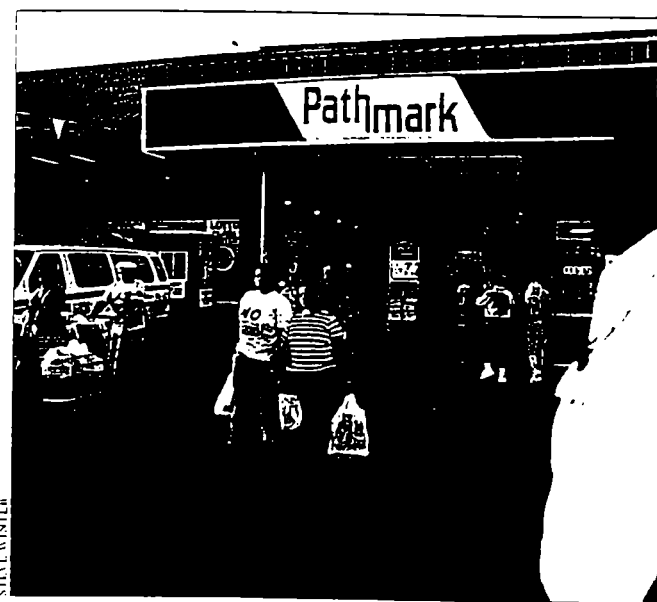
Supermarket Solutions

Chains are being lured into the inner cities with sweet deals. Are there profits beyond the suburbs?

BY KAREN SPRINGEN

ELLEN WATSON, 82, remembers when the only way she could get to the supermarket from her retirement home in Newark, N.J., was to take a special bus once a week. As if that weren't nuisance enough, the bus stayed at the store for only an hour, period. Slower shoppers like her often had to go home with a fraction of the items on their list. Every week Watson would ask God to "show us what to do to get a store in our neighborhood." A few years ago her prayers were answered: Pathmark opened a capacious supermarket just two blocks from her home. Not only is the store clean and secure — an off-duty police officer stands by the door — but it stocks all her favorite foods such as shrimp, broccoli, mustard greens and corn on the cob. Says Watson: "This is the first good thing that's happened since the race riots," which devastated the city in 1967.

Angels might have had a hand in sending Pathmark Watson's way, but it was the New Community Corp. — the country's largest community-development nonprofit — that provided the real muscle. New Community negotiated



Shopper's delight: A Newark Pathmark saves locals a trip

to get the site and persuaded Pathmark to share in its running and pay rent. Thanks to groups like New Community, the era when grocery chains left inner-city residents to choose between price-gouging "convenience stores" and a long commute may be nearing an end. Nonprofit development corporations are taking advantage of land gifts and tax breaks from city governments to aggressively lure the big supermarket operators (as well as other consumer-oriented

businesses) back. Last week a nonprofit-corporate partnership broke ground on a \$9 million, 78,000-square-foot complex on Chicago's South Side. Next week a similar development will begin in New York's Harlem. Eric Sorenson, a retail expert with Northwestern University, says: "The inner city is the next big frontier."

In theory the deals will be lucrative for everybody. The supermarkets, which have been facing increasingly satu-

rated markets in the 'burbs, get a nearly risk-free shot at a captive market. In return, the development groups take a piece of the proceeds and plow the money back into community projects. There are even some wholly private developers who think there is money to be made. "This is by no means a grant program," says Ken Lombard, president of Magic Johnson Theatres, which builds multiplexes in blighted urban districts. "This is a for-profit thing."

Still, many industry insiders doubt that these new projects will be an easy success. Supermarkets operate on profit margins of just 1 percent, and inner-city stores tend to have shoplifting problems. At the Linwood Shopping Center supermarket, which has been in inner-city Kansas City, Mo., for 10 years, center manager Donald Maxwell says people steal cigarettes and meat. One patron was caught putting hams under her skirt. An even bigger problem has been store employees who pretend to scan items but really give them to friends.

Even so, Maxwell has been plenty successful. His group now runs five shopping centers with three supermarkets. More important, it has revitalized an area once so devastated that it was chosen as the location for "The Day After" — the 1983 TV movie about life after nuclear holocaust. Says Maxwell: "Our profit isn't just monetary. What we've done is restore hope."

With LESLIE KAUFMAN

Chicago Tribune

MetroChicago

THURSDAY, JULY 31, 1997



Tribune photos by Ovie Carter

"I saw it hit the ground, and I see it coming back again," says Kenwood-area resident Joseph Smith, with wife, Minnie.

Value of inner city rediscovered

New homes, stores and other signs of hope appear in North Kenwood area.

**By Flynn McRoberts
and Merita Ilo**

TRIBUNE STAFF WRITERS

A public housing high-rise hovers in the background and battered apartment buildings litter many of the surrounding

blocks. But the sign on the corner of East 44th Street and South Drexel Boulevard confidently announces that "Elegance returns . . . Pope Place on the Boulevard."

Though only the model unit is built, a young doctor, an attorney and a postal employee already have signed contracts to buy two-flats at Pope Place—some of the first market-rate housing to be built on Drexel in more than 50 years.

"It's been a long time since middle-class people have felt comfortable com-

ing in and living in the community," said Sharon Eubanks-Pope, one of the namesake developers of the 20-unit project.

Pope Place is another sign of the larger forces at play in the resurrection of the North Kenwood-Oakland neighborhood just north of Hyde Park. Or Wednesday, the revival marked a major turning point with word of the return of another basic amenity: a new grocery store.

SEE KENWOOD, PAGE

Kenwood

CONTINUED FROM PAGE 1

Community leaders and financial backers broke ground on a shopping center that will include a branch of the Hyde Park Co-op, the neighborhood's first supermarket in decades. More than just another shopping center, the complex at East 47th Street and South Lake Park Avenue represents a larger effort to put better stores in long-underserved neighborhoods and to give local residents a greater stake in the businesses that serve them.

The message behind the project is that "inner city neighborhoods have value, and the value is increasing," said Bill Jones, executive director of the Fund for Community Redevelopment and Revitalization, the community development corporation that is sponsoring the project.

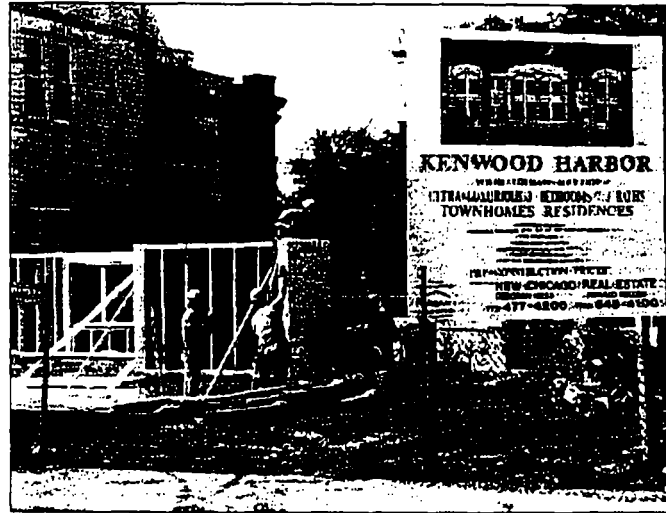
One of the financing partners for the project, the Local Initiatives Support Corp., is best known as one of the nation's biggest non-profit backers of affordable housing development. But an LISC affiliate, The Retail Initiative, is broadening that mission to bring stores and other commercial ventures back to inner cities across the country.

In North Kenwood-Oakland, that support is coming in the form of \$1.5 million to help build the \$9.1 million shopping center, to be called Lake Park Pointe. The center, which also will include a Citibank branch and a Walgreen's pharmacy, is scheduled to open in September 1998.

"Community building is a lot more than housing, although housing is an essential component," said Andrew Mooney, program director of Chicago LISC. "It's stores, it's jobs, it's education."

Chains such as Delray Farms have made money in recent years by opening groceries in urban neighborhoods abandoned by bigger stores. The Retail Initiative is going "back into neighborhoods that retailers have essentially written off, even a Delray Farms," Mooney said.

The North Kenwood investment gives the Fund for Community Redevelopment and Revitalization, a group that includes local residents, an ownership stake in the shopping center. This way, the community



New townhomes go up at 44th Street and Lake Park Avenue (left). Bob Lucas, executive director of the Kenwood Oakland Community Organization (below), wants to make sure more jobs and housing are made available to low-income and working-class residents.



will have more control the next time the economy turns sour—when an outside owner might be tempted to pull out of the neighborhood.

At the same time, "when a community feels ownership of a project, it has a communal sense of responsibility" that results in "less vandalism, less pilfering, less security costs," Mooney said. "Just as importantly, these projects provide jobs opportunities to the community."

Construction of the complex would provide 50 to 75 jobs, according to Jones. Of the 250 permanent jobs expected to be created by the center, he said, "about 98 percent ... will be from this neighborhood" or the nearby communities of Hyde Park and Grand Boulevard.

But in a classic bit of Chicago neighborhood politics and arm-twisting, the leader of a rival community organizing group held his own informal press conference Wednesday just steps from the tent set up for the day's main event.

Bob Lucas, executive director of the Kenwood Oakland Community Organization, charged that "the community is being redeveloped by outsiders" and that more jobs and housing should be made available to low-income and working-class residents.

In fact though, Smith is negotiating a contract with the Lucas group under which KOCO will be paid to recruit local residents for construction and permanent jobs at the shopping center.

Lucas' rhetoric softened once he

Chicago Sun-Times

Wednesday, July 30, 1997



New mall symbolizes neighborhood's revival

By **BRENDA WARNER ROTZOLL**
NEIGHBORHOODS REPORTER

Local activists backed by the nation's largest support organization for community building will break ground today for the first new supermarket in half a century in North Kenwood-Oakland, until recently one of the nation's poorest neighborhoods.

Lake Park Pointe mall, a \$9.1 million project, is one of five community-owned, supermarket-anchored shopping centers to start construction this year here and in New York, Boston, Philadelphia and New Haven, Conn., all with the backing of the Local Initiatives Support Corp., which has programs in more than 100 urban areas nationwide.

The mall at 47th Street and Lake Park, next door to the landmark Al-Fatih mosque, will include a supermarket run by the Hyde Park Co-op, and a Citibank branch, Walgreens pharmacy, Dock's restaurant, dry cleaners, copy shop, insurance agency and

S. Side area gets first supermarket in decades

other services.

That's dramatic news for a neighborhood where for decades residents have had to shop in small, often dingy, stores where prices are high because owners cannot get the discounts available to large grocers.

It is one more success story for the Fund for Community Redevelopment and Revitalization, the local nonprofit developer. In its five years of existence the organization, commonly called the Fund, has been responsible in partnership with private developers for 1,500 new or rehabbed housing units in Woodlawn, Kenwood and Oakland, executive director Bill Jones said.

More housing is being built privately, and people who stayed through the years of decay are starting to maintain and improve their property, Jones said.

"I think there is a sense the

community is coming back," Jones said.

The Fund is building Lake Park Pointe with financial help from the City of Chicago, a HUD empowerment zone, Harris Bank, Chicago LISC and an LISC affiliate, the Retail Initiative.

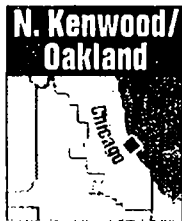
"This is the logical extension of

work that has gone into the neighborhood for the last 10 years," said Andrew Mooney, president of Chicago LISC.

"North Kenwood-Oakland shared the fate of hundreds of other African-American communities in the '70s and early '80s - flight of building owners, banks,

stores, jobs - you name it, it was gone," said Arthur M. Brazier, chairman of the Fund.

Mayor Daley said Lake Park Pointe exemplified "the best of a new kind of federal government-city government relationship," with the federal government providing cities with flexible funds, corporations with investment incentives, and community groups with financial and technical support.



DAILY NEWS

<http://www.mostnewyork.com>

NEW YORK'S HOMETOWN NEWSPAPER

Tuesday, August 26, 1997

A store grows in Harlem

AFTER YEARS OF FALSE STARTS and broken promises, ground was broken yesterday for the East Harlem Pathmark supermarket. At long last.

Dirt was imported to cover the asphalt-topped lot at 125th St. and Lexington Ave. so that Gov. Pataki, Mayor Giuliani and a host of community and economic development leaders could wield the gold-colored shovels for the ceremonial dirt toss. So much for the obligatory hoopla. The real celebration will come when Harlemites reap the vast economic and quality-of-life benefits of this truly monumental project.

The \$15 million Pathmark, the first major private construction in Harlem in 20 years, represents the triumph of determination, good will and solid business savvy over petty politics, racial animus and downright stupidity.

The 64,000-square-foot shopping center, including a supermarket, a pharmacy and a Chase bank branch, is a model of public-private partnership. According to the project's developers, the East Harlem Abyssinian Triangle — a limited partnership between Abyssinian Development Corp. and the Community Association of the East Harlem Triangle — each dollar of public funding was leveraged by \$3 from the private sector.

The project will create 200 construction jobs plus 200 permanent ones, with at least 75% going to area residents. And it will offer food and merchandise in a variety that New Yorkers now have to go to the suburbs to find — and at affordable prices.

That there could be continued resistance to this job-generating, life-enhancing project is mind-boggling. Then again, this is New York, where self-interest has no shame.

WHEN THE initial group of Hispanic developers pulled out in 1993, then-Mayor David Dinkins brought in the African-American-led Abyssinian Development Corp., touching off ethnic feuding that stalled the project. Giuliani quelled Hispanic pols' concerns by agreeing to turn over a 49% stake to a Hispanic organization. That group has yet to be found, and if you think the "compromise" smacks of ethnic blackmail, you would be right. Still, it is a small price to pay.

In his remarks at the ceremony, Giuliani asked everyone to "close your eyes and imagine what's going to be here in 14 to 15 months from now. Just dream about what it's going to be like." Gov. Pataki said, "At times, it seemed like it was only prayer and faith" that would get the Pathmark built.

Thankfully, faith was rewarded and prayers were answered.

NEW YORK POST

LATE CITY FINAL

TUESDAY, AUGUST 26, 1997

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NEW YORK POST BUSINESS TUESDAY, AUGUST 26, 1997

Ground broken for Harlem Pathmark



PICK UP YOUR SHOVELS: Gov. Pataki (third from left), Mayor Giuliani (third from right), and Congressman Charles Rangel (right) were among the politicians inaugurating the Pathmark supermarket at 125th St. and Lexington Ave.

New York Post David Rentas

Surrounded by state and city officials, Harlem civic leaders yesterday took a giant step toward realizing a 20-year-old dream by breaking ground for a 50,300-square-foot Pathmark supermarket.

Harlem, with more than 500,000 residents, currently has only 68,000 square feet of supermarket space, most of it scattered among smaller food stores.

The \$15 million construction project, at 125th Street and Lexington Ave., will include a 24-hour Pathmark, a Chase Manhattan Bank — its first supermarket branch in Manhattan — and a rooftop parking lot for 125 cars.

It will create 200 construction jobs and 200 permanent jobs when it is completed in 14 to 16 months.

Harvey Gutman, Pathmark's senior vice president, has promised to hire 75 percent of the store's employees from the neighborhood.

Yesterday, Gutman said the much-needed local hiring would not wait until the store was ready to open. "We will hire people soon, send them to other stores for experience, and then transfer them back home."

Rev. Dr. Calvin O. Butts, III, pastor of the Abyssinian Baptist Church, who worked hard to bring the project to fruition, called the development, funded with 75 percent private funds, "a major step forward for the economic vitality of Harlem."

Although many companies have expressed interest in coming to Harlem and several local projects have been proposed, none has yet to secure financing or attract enough support to begin construction.

In fact, many projects have sputtered.

And with each disappointment, residents of Harlem have had to pay more for their groceries

and travel further for food and other goods.

Mayor Giuliani, who attended the groundbreaking, said a recent study showed Harlem residents paid 35 percent more for a Thanksgiving dinner than Nassau families did.

"But a survey of Pathmark prices shows they are 2 percent less than (average supermarket prices in) Nassau County, which means people will have jobs and pay less for food."

Chase Manhattan and European American Bank were the lead financiers on the project.

Construction of the large Pathmark had raised objections from local store owners fearful for their future. Gov. Pataki's formation of the East Harlem Business Capital Corp., which will make low-cost loans to small businesses, is an attempt to address those fears.

Richard Wilner

PHILADELPHIA BUSINESS JOURNAL

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AUGUST 8-14, 1997 Vol 16, No. 26 • \$1.75

LISC builds reputation, rebuilds neighborhoods

THOMAS J. WALSH
STAFF WRITER

"They have no peers."

Those were the plain, unemphatic words of Noah Eisenstadt, executive director of the Philadelphia Redevelopment Authority, while discussing the Local Initiatives Support Corp. (LISC) — a nationwide, New York-based nonprofit economic development agency that has facilitated the infusion of about \$93 million into blighted areas of Philadelphia since the early 1980s.

A little of that total was recently given to a project in North Philadelphia's American Street Empowerment Zone: Gateway Plaza, which will be a 47,000-square-foot shopping center, anchored by a Cousins Supermarket.

LISC has maintained a low profile for two decades, and supporters and recipients of aid say that is because of the organization's quiet efficiency. But praise — and much more work — is being heaped on LISC these days, as its track record becomes more widely known.

"LISC is very important because from its inception it had a double focus — neighborhood development and community organization capacity — building," said John Kromer, a director in Philadelphia's Office of Housing and Community Development. "In this day and age, the issue of the capacity of neighborhood organizations to do things is absolutely critical."

It is in the facilitation of the money as well as its evaluation process that makes LISC unique. Its mission seems direct — to assist community development corporations (CDCs) in transforming distressed neighborhoods into healthy communities — but in fact, its modus operandi is that of the middle man, the arbitrator, the consultant.

"I think LISC's strength is its ability to attract national and international funding and channel it into local programs," said Stephen Kazanjian, executive director and chief executive officer of The Greater Germantown Housing Development Corp. "There's not really another entity that does what LISC does. It doesn't act as a government entity and it doesn't act as a foundation."

Where foundations and government agencies may change their focus over time, Kazanjian said that "LISC is community-oriented, year after year."

LISC's leaders like to refer to it as a "social investment banker." It was created by the Ford Foundation and six other corporations in 1979 for the purpose of funneling money from the private sector to nonprofit CDCs. It helps CDCs in 37 locations work with banks and their local City Hall to build quality, affordable housing and improved commercial and retail services.

In Philadelphia alone, where LISC opened an office in 1981, its numbers to date include:

- ✓ support to more than 2,300 homes;
- ✓ involvement with 30 commercial and industrial projects totaling more than 300,000 square feet of space;
- ✓ gathering \$4.13 million in Philadelphia area public and private support for local CDC projects.

"We have a very particular niche," said Tina Brooks, LISC's Philadelphia program director. "We're investing in the organizations, and saying that with strong resident leadership and accountability, we can solve problems in our inner cities. In places where residents are really pulling together, things have a way of

getting done. The tenacity's there."

Nationally, LISC has raised about \$2.4 billion in grants, loans and equity investments from more than 1,600 corporations, foundations, banks, public agencies and individuals in the past 12 years. It has also taught CDCs how to make money from money, by using those investments to leverage another \$3 billion. And LISC prides itself on its willingness to make "first dollar" and "last dollar" contributions to projects, hoping to entice other investors to become involved.

Operating on a national level and a local basis means that LISC's president and chief executive, Paul Grogan, must maintain contacts at every level of government and at every level of the private sector. It is in this capacity that he and LISC have drawn the most recognition.

With the Gateway Plaza project, for example, support from the governor and the mayor were crucial. The state gave its stamp of approval through the involvement of the Pennsylvania Department of Community and Economic Development, and the city acquired 111 parcels of property and provided demolition work to the site.

The private and corporate concerns that work with LISC in Philadelphia include PNC Bank, CoreStates Bank, the Knight Foundation, MellonPSFS, Sun Co., the Pew Charitable Trusts, the William Penn Foundation and the Philadelphia Foundation.

In Washington, too, LISC has a presence. LISC was one of the premier advocates of the Low Income Tax Credit of 1986, and continued to push to make the legislation permanent, which it was last year.

"Before that it was hard to get investors because it wasn't permanent," Brooks said.

"The national office is a very effective broker of relationships and financing."

LISC created an affiliate, the National Equity Fund (NEF) in 1987 to effectively syndicate the Low Income Tax Credit. Since then, it says 33,000 new homes have resulted from \$1.8 billion in investments from 130 banks.

The organization has also created two other affiliates for the purpose of capital attraction and retail equity growth.

And the number of local programs, in Philadelphia and elsewhere, are myriad. An example is the Neighborhood Main-Street Initiative (NMSI), a partnership that LISC has created with Pew and the National Trusts for Historic Preservation's National Main Street Center. NMSI is a four-year program designed to restore commercial districts that have seen better days. Its initial recipient is the Frankford Avenue shopping strip in Northeast Philadelphia.

There, a \$55 million refurbishment of SEPTA's El has been said to deter shoppers. But now that it is complete, LISC is hoping the improved transportation — with the help of the NMSI — will lure back old customers and bring in new ones. It is a typical method for LISC of leveraging positive existing conditions to create revitalization.

Brooks says that later this year LISC plans to implement NMSI in Germantown Avenue and the Fifth Street corridor district, near Gateway Plaza. "You need to consciously use those little shops and deal with the parking, deal with the signage, and make it a richer shopping experience," Brooks said. "The organizations that we support have gotten so much better at what they do that we don't see it as just housing anymore."

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JUNE 19, 1989

VIEWPOINT

Creditworthy: Two loopholes vital to N.Y.

The Bush administration believes the only targeted business, housing or economic development tax credit the nation can afford involves research and development.

We believe there are two other "loopholes" whose existence is vital for New York City: a housing tax credit and authorization for industrial development bonds. We urge Congress to renew both programs, which otherwise will end this year.

The housing credit is, essentially, the only federal program left that helps build housing. Investors,

One organization plans to raise \$50 million for 2,000 units of housing by using the tax credit

usually corporations, receive a tax credit for equity investments in low-income residences.

This complicated program got off to a slow start in 1987, but today more than 95% of the available credits are being used. In New

York, one organization, Low Income Support Corp., expects to raise \$50 million this year to rehabilitate 2,000 units.

The other "loophole" worth saving allows industrial development bonds. Once rife with abuses (like building luxury boxes in stadiums), the program now covers only small and mid-sized manufacturing companies, and New York state is limited to issuing \$890 million a year in bonds. The city issued \$19.1 million in such bonds last year. Altogether, industrial development bonds have helped preserve one-tenth of the 400,000 manufacturing jobs left here.

We hope the New York delegation will do its best to renew these vital tax breaks.

Preserve tax credits for low-income housing

This is not a good time for the federal government to undertake big new spending programs for low-income housing — despite today's painfully obvious shortage of decent and affordable shelter for the poor. All the more reason to keep the one effective housing tool that remains in the federal work chest. That's the low-income-housing tax credit created by the Tax Reform Act of 1986. The credit has convincingly demonstrated its ability to get maximum results for minimal cost.

By offering investors a reduction in their federal income taxes for buying, building or rehabilitating low-income housing, the credit leverages relatively small amounts of federal dollars into larger amounts of private investment. Last year it helped provide more than 100,000 units of low-cost housing, much of it in developments created, owned and managed by community-based organizations, including several in the Twin Cities.

The credit is due to expire this year, but companion bills introduced last month in the House and Senate would make it permanent. Along with several procedural changes, the bills would also

extend from 15 to 30 years the period during which the housing provided through the credit would be restricted to low-income occupancy.

Extending the tax credits does carry a pricetag. The Treasury Department estimates it would cost \$55 million next year, rising to \$325 million in 1993. Apparently that's one reason the Bush administration has not fully endorsed the idea. But Housing Secretary Jack Kemp has long favored tax incentives to encourage low-income housing development. And the bills enjoy bipartisan support, especially in the Senate, where the chief authors are Majority Leader George Mitchell of Maine and Republican John Danforth of Missouri.

As a way to get government's work done, tax credits have often proved inefficient and abuse-prone. But the tax-credit program for low-income housing has worked well during the two years it has been in effect. Unless Kemp's Department of Housing and Urban Development can devise something better — which seems unlikely — Congress should make the credits permanent.

Real Estate

THE GROUND FLOOR / By STEVEN BERGSMAN

The Allure of Low-Income Housing Credits

THE low-income housing credit—one of the few major tax shelters left after the Tax Reform Act of 1986—is being extended one year. And the race is on to see who will reap its tax benefits.

The extension, aimed at encouraging creation of 100,000-200,000 low-income housing units, mainly for the elderly, was buried in the budget reconciliation bill that won 11th-hour approval from Congress just before the holiday recess.

Although the credits can provide substantial aid to developers and syndicators, a small number of investors also will get a break, if they meet certain requirements. For one thing, the maximum annual credit that may be claimed is the tax attributable to \$25,000 of income. Generally, because most taxpayers are in the 28% tax bracket, this figure is \$7,000 (28% of \$25,000).

There will be only an estimated \$210 million in tax credits available in 1990. Dividing the total by \$7,000 produces 30,000—the number of investors who theoretically would be able to take advantage of the governmental gift. However, a large number of the credits will go to corporations, so the total available to individuals will be well under 30,000. And whatever number is left will eventually be priced very high.

Michael Novogradac, author of the *Low-Income Housing Tax Credit Handbook* and a member of the Spectrum Tax Consulting Group in San Francisco, predicts: "There will be a race for the product and that is what is going to categorize the market for the next four or five months. That is, who has the credits and what kind of price can you get for them."

He adds that "developers are sitting back trying to get all their credit applications ready, but they also are not committing too much to any one project because they don't know if they'll get the allocation. If they do, there will be a race between syndicators and other funds to get the developer to sell the project. With only 30,000 investors, once you have the credit, it will be a very hot commodity."

The credits are divided among the states, based on relative population. In 1989, for example, California had \$35.2 million in tax credits; Utah, \$2.1 million. State housing authorities will be the first stress point for people trying to get the low-income housing credits.

In California last year, numerous suits were filed against the state housing agency, saying its method of distributing the credits was unfair. The state had used up its total allocation in three months, before millions

of dollars in requests had arrived.

Actually, such scenarios were fairly common throughout the country, owing to a rather sudden shift in the public's awareness of the credits' attrac-

of them out-of-state limited partnerships—quickly grabbed Arizona's \$4.3 million 1989 allocation.

Debbie Schmidt, housing programs assistant in the Arizona Commerce Department's Office of Housing Development says that, next year, her unit will attempt to ensure that "the best projects based on need and location will get that money."

The credits will be even more popular in 1990 because, in granting the one-year extension, Congress removed an onerous rule.

Previously, individuals without passive income could receive the credits' significant tax benefits only if their adjusted gross incomes were below \$250,-

000. Now, any wealthy individual can invest, vastly opening the market for these credits. The only caveat: An investor's ability to use the credits is reduced if he has other properties that qualify as active rentals.

In addition, in the past, Novogradac explains, the use of the credits was limited to large public funds or small private offerings. A large fund could mass-market tax credit deals because it could reach a lot of people, each of whom would invest a small sum. Private offerings typically were limited deals designed for fewer investors.

"The large public funds would stress the fact that you're

investing, following a period in which they were virtually ignored. In Arizona, only 14% of the available credits were used in 1987. In 1988, the figure jumped to 80%. In 1989, 100% of the credits were snatched up.

What happened? Quite simply, the number crunchers discovered low-income housing credits were a good deal. Essentially, for every 30 cents the developer puts up, the government tosses in 70 cents.

Since not all the housing credits were used during the first two years, many states were unprepared for the program's sudden popularity, and credits were simply allocated on a first-come, first-served basis. Roughly 50 developers—most

getting a tax credit, stress the due diligence and diversity and you would get a guarantee from the developers as to operating income. It wasn't going to be a great real-estate play; the importance was counting credits. There might be some cash flow, but investors were not expecting something significant," Novogradac says. "The private deals [sold to investors with mid-level incomes] tended to stress the property itself because there was generally just one property, versus the multi-property programs in public funds. These deals proffered the tax credits, plus the real-estate play."

Now, Novogradac says, wealthy individuals should consider investing as much as \$40,-

000-\$45,000 in these low-income housing credits. change could occur. This might deter some potential investors.

After-tax returns can be 12%-25%, depending on the property and the deal.

A residential rental property could qualify as low-income if:

- At least 20% of the units are rent-restricted and occupied by individuals whose income is no more than 50% of area median gross income.

- Or at least 40% of the units are rent-restricted and occupied by individuals whose income is no more than 60% of area median gross income.

Under the old law, after 15 years, rentals in the buildings could rise to market rates. Now, however, it's 30 years before the

Novogradac says, but not too many. "Most people figure 15 years is a long time anyway. The principal return is the credit."

Another change is the limitation of the housing credit to new construction or rehabilitation. In the past, a lesser amount of credit was given to programs that acquired a property and converted it to low-income use.

Also, there is now a bigger cost allocation for high-expense locations. This means more projects will be in downtown or urban areas, whereas previously most projects were built in rural areas.

B. Permanent Extensions

1. Low-Income Rental Housing Tax Credit

Present Law

Present law provides a credit to owners of residential rental property used for low-income housing. The amount of the credit is determined as a percentage of the qualified basis of the housing units serving the low-income tenants. For buildings placed in service after 1987, the credit percentages are adjusted monthly to provide a credit with a present value equal to 70 percent of the qualified basis of the building. In the case of acquisition costs of existing housing and of newly constructed or rehabilitated housing receiving certain Federal subsidies (e.g., financed by the sale of tax-exempt bonds), monthly adjustments to the credit percentage are made to provide a credit with a present value equal to 30 percent of the qualified basis of the building.

The credit generally is allowed in equal annual amounts during the first 10 years after the qualified property is placed in service. Unless the qualified property continuously complies with requirements for low-income tenants and other credit requirements for a period of 15 years after it is placed in service, all or part of the credit may be recaptured during the 15-year compliance period.

Each State is assigned an annual credit volume limit of \$1.25 per resident. The owner of eligible property is required to receive a credit allocation from the appropriate State or local government authority in order for the credit to be allowable, unless the property is financed with the proceeds of tax-exempt bonds subject to the State's private activity bond volume limitation.

The credit is scheduled to expire after December 31, 1989.

Explanation of Proposal

The proposal would make the low-income housing credit permanent. In all other aspects, the proposal follows the Subcommittee recommendation, with the following modifications:

(1) If at least 50 percent of the aggregate basis of a building and underlying land were financed with tax-exempt debt which received a State bond volume cap allocation, no State credit cap allocation would be required for the building.

(2) Community Development Block Grants would not be treated as Federal subsidies for purposes of determining the permissible present value credit.

(3) The permissible present value credit for projects receiving section 8 project-based assistance would be determined as under present law.

(4) Projects receiving section 8 moderate rehabilitation assistance would be eligible for no more than a 30-percent present value credit.

(5) The general definition of "substantial rehabilitation" would be modified to be the greater of \$3,000 per low-income unit or 10 percent of unadjusted basis. An additional exception from the general rule would be provided for those federally-assisted buildings described in the Subcommittee's recommended additional exception to the 10-year placed-in-service rule. The acquisition costs of such buildings, the transfer of which is subject to HUD or FmHA approval, would be eligible for the 30-percent present value credit if the amount of rehabilitation undertaken were at least \$2,000 per low-income unit.

However, the rehabilitation expenditures would be ineligible for any credit allocation unless they were "substantial" (exceeded the greater of \$3,000 per low-income unit or 10 percent of unadjusted basis). If the rehabilitation expenditures were substantial, such expenditures would be eligible for the 70-percent present value credit.

(6) The 15-year credit period proposed by the Subcommittee, together with the associated penalty provision, would be an alternative to the present law 10-year credit period and associated recapture provisions. The discount rate for the determination of the credit present value for the 15-year credit period would be adjusted to reflect the longer period.

(7) The determination of whether a tenant satisfies the income limitations applicable to rent-restricted units would be made as under present law, based on actual family size. The gross rent limitation associated with a rent-restricted unit would be determined based on an assumed family size, as provided in the Subcommittee recommendation.

(8) States would be required to give consideration to available Federal subsidies committed to a project and to adjust the amount of credit allocated to the project to take such subsidies into account.

(9) States would be required to give first priority to those projects as to which the highest percentage of the

credit dollar would be used for project costs, not including the costs of intermediaries.

(10) State housing credit agencies would be required to notify the chief executive officer (if there is such an officer) of the local jurisdiction within which the project is located and provide him or her a reasonable opportunity for comment on the project.

(11) The provisions of the Subcommittee proposal limiting the nonprofits which would be eligible for the credit cap set-aside for nonprofits would be deleted.

(12) The tenants in a building would be given the right of first refusal (with one year's notice) to purchase the building should the owner decide to sell it after the end of the compliance period. The purchase price would be the sum of: (a) either assumption of the existing debt (not including debt incurred within the 5 years immediately preceding the sale) or an amount equal to such debt, (b) an amount equal to all taxes due by the owner on sale, and (c) a Federal tax gross-up amount.

(13) The provisions of the Subcommittee proposal relating to the eligibility of certain job training program participants, the treatment of trusts and estates, the pro rata rule upon transfer of property, and the provision of regulatory authority for the correction of errors in the allocation process are not included in this proposal. As technical corrections, they may be considered separately.

Effective Date

The proposal would generally be effective with respect to housing credit dollar amounts allocated from State housing credit ceilings for calendar years after 1989. For projects not subject to the credit allocation limits, the proposal would generally apply to buildings placed in service after December 31, 1989.

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.

The housing credit stands as a notable example of government that works.

THE BOSTON GLOBE • MONDAY, MARCH 30, 1998

The business of fighting poverty

Many initiatives of the 1960s, like "community control" of schools, rated high on rhetoric and low on results. Community development corporations, however, exceeded their promise.

These small, nonprofit groups are often the most consistent force for the revitalization of poor urban and rural areas. Traditionally they have concentrated on the creation of affordable housing. CDCs, therefore, are expert in the use of low-income housing tax credits and other means to link first-time home buyers with mortgage credit. Fewer CDCs have made their marks on job growth or economic development. The reasons include difficulties in attracting private capital to poor neighborhoods and the CDCs' own lack of experience in market analysis and loan packaging.

The Ford Foundation, one of the earlier backers of these groups, is scheduled to release a report today on past accomplishments and challenges ahead. The report offers some hopeful news about Boston-based CDCs, like Nuestra Comuni-

dad, which are helping to develop more than 400,000 square feet of commercial, industrial, and retail space in the city. Less visible but equally important initiatives are underway on Cape Cod and in Worcester County, where CDCs make short-term loans for seasonal businesses and train low-income residents for jobs.

Attention from powerful funders like the Ford Foundation provides hope that more CDCs will concentrate on assistance to small or start-up businesses. Success, however, also depends on recognition from state legislatures. Massachusetts lawmakers, for instance, created a micro-loan fund in 1993 but never funded it. Even a modest appropriation for the 1999 fiscal year would provide important financing and technical help for low-income entrepreneurs. At the federal level, continued support for community economic development grants would reinforce the powerful work of local CDCs.

CDCs deserve much support as the search for solutions to poverty shifts from welfare to work.

HOUSING CREDIT AUTHORITY

Allocating Agency	1997 Population	Current Cap (\$1.25 Per Capita) (dollars)	Adjusted Cap (\$1.75 Per Capita) (dollars)	Increase (dollars)	1999	2000	2001	2002	2003	Total
Alabama	4,273,000	5,341,250	7,477,750	2,136,500	396	425	453	480	507	2,262
Alaska	607,000	758,750	1,062,250	303,500	56	60	64	68	72	321
Arizona	4,428,000	5,535,000	7,749,000	2,214,000	411	441	470	498	525	2,344
Arkansas	2,510,000	3,137,500	4,392,500	1,255,000	233	250	266	282	298	1,329
California	31,878,000	39,847,500	55,786,500	15,939,000	2,957	3,172	3,381	3,584	3,781	16,875
Colorado	3,823,000	4,778,750	6,690,250	1,911,500	355	380	405	430	453	2,024
Connecticut	3,274,000	4,092,500	5,729,500	1,637,000	304	326	347	368	388	1,733
Delaware	725,000	906,250	1,268,750	362,500	67	72	77	82	86	384
District of Columbia	543,000	678,750	950,250	271,500	50	54	58	61	64	287
Florida	14,400,000	18,000,000	25,200,000	7,200,000	1,336	1,433	1,527	1,619	1,708	7,623
Georgia	7,353,000	9,191,250	12,867,750	3,676,500	682	732	780	827	872	3,892
Hawaii	1,184,000	1,480,000	2,072,000	592,000	110	118	126	133	140	627
Idaho	1,189,000	1,486,250	2,080,750	594,500	110	118	126	134	141	629
Illinois	11,847,000	14,808,750	20,732,250	5,923,500	1,099	1,179	1,257	1,332	1,405	6,271
Indiana	5,841,000	7,301,250	10,221,750	2,920,500	542	581	620	657	693	3,092
Iowa	2,852,000	3,565,000	4,991,000	1,426,000	265	284	302	321	338	1,510
Kansas	2,572,000	3,215,000	4,501,000	1,286,000	239	256	273	289	305	1,362
Kentucky	3,884,000	4,855,000	6,797,000	1,942,000	360	386	412	437	461	2,056
Louisiana	4,351,000	5,438,750	7,614,250	2,175,500	404	433	461	489	516	2,303
Maine	1,243,000	1,553,750	2,175,250	621,500	115	124	132	140	147	658
Maryland	5,072,000	6,340,000	8,876,000	2,536,000	470	505	538	570	602	2,685
Massachusetts	6,092,000	7,615,000	10,661,000	3,046,000	565	606	646	685	723	3,225
Michigan	9,594,000	11,992,500	16,789,500	4,797,000	890	955	1,018	1,079	1,138	5,079
Minnesota	4,658,000	5,822,500	8,151,500	2,329,000	432	463	494	524	552	2,466
Mississippi	2,716,000	3,395,000	4,753,000	1,358,000	252	270	288	305	322	1,438
Missouri	5,359,000	6,698,750	9,378,250	2,679,500	497	533	568	603	636	2,837
Montana	879,000	1,098,750	1,538,250	439,500	82	87	93	99	104	465
Nebraska	1,652,000	2,065,000	2,891,000	826,000	153	164	175	186	196	874
Nevada	1,603,000	2,003,750	2,805,250	801,500	149	160	170	180	190	849
New Hampshire	1,162,000	1,452,500	2,033,500	581,000	108	116	123	131	138	615
New Jersey	7,988,000	9,985,000	13,979,000	3,994,000	741	795	847	898	947	4,229
New Mexico	1,713,000	2,141,250	2,997,750	856,500	159	170	182	193	203	907
New York	18,185,000	22,731,250	31,823,750	9,092,500	1,687	1,810	1,929	2,045	2,157	9,626
North Carolina	7,323,000	9,153,750	12,815,250	3,661,500	679	729	777	823	869	3,876
North Dakota	644,000	805,000	1,127,000	322,000	60	64	68	72	76	341
Ohio	11,173,000	13,966,250	19,552,750	5,586,500	1,036	1,112	1,185	1,256	1,325	5,915
Oklahoma	3,301,000	4,126,250	5,776,750	1,650,500	306	328	350	371	392	1,747
Oregon	3,204,000	4,005,000	5,607,000	1,602,000	297	319	340	360	380	1,696
Pennsylvania	12,056,000	15,070,000	21,098,000	6,028,000	1,118	1,200	1,279	1,355	1,430	6,382
Puerto Rico	3,522,037	4,402,546	6,163,565	1,761,019	327	350	374	396	418	1,864
Rhode Island	990,000	1,237,500	1,732,500	495,000	92	99	105	111	117	524
South Carolina	3,699,000	4,623,750	6,473,250	1,849,500	343	368	392	416	439	1,958
South Dakota	732,000	915,000	1,281,000	366,000	68	73	78	82	87	387
Tennessee	5,320,000	6,650,000	9,310,000	2,660,000	493	529	564	598	631	2,816
Texas	19,128,000	23,910,000	33,474,000	9,564,000	1,774	1,903	2,029	2,151	2,269	10,126
Utah	2,000,000	2,500,000	3,500,000	1,000,000	186	199	212	225	237	1,059
Vermont	589,000	736,250	1,030,750	294,500	55	59	62	66	70	312
Virgin Islands	101,809	127,261	178,166	50,905	9	10	11	11	12	54
Virginia	6,675,000	8,343,750	11,681,250	3,337,500	619	664	708	750	792	3,533
Washington	5,533,000	6,916,250	9,682,750	2,766,500	513	551	587	622	656	2,929
West Virginia	1,826,000	2,282,500	3,195,500	913,000	169	182	194	205	217	967
Wisconsin	5,160,000	6,450,000	9,030,000	2,580,000	479	513	547	580	612	2,731
Wyoming	481,000	601,250	841,750	240,500	45	48	51	54	57	255
Total	268,907,846	336,134,808	470,588,731	134,453,923	24,942	26,758	28,521	30,233	31,895	142,348

Source: National Council of State Housing Agencies

Note: Per capita allocation is increased to \$1.75 in 1999 and indexed for inflation at 3% per year from 2000-2003; credit per unit is indexed at 3% per year for 1997-2003.

National
Council of
State
Housing
Agencies



January 12, 1998

MEMORANDUM

TO: John Orszag, The White House

FR: Barbara Thompson

RE: Housing Credit Production Under Cap Increase Legislation

Under the current \$1.25 limit, 70,469 Housing Credit units will be financeable in 1999 (assuming current average credit cost per unit, indexed for inflation).

If the cap is increased by 40 percent, total production will rise to 98,656 units in 1999. If the cap is increased by 40 percent, but not indexed for future inflation, the number of units financeable each year after 1999 will shrink, as inflation takes its toll on the purchasing power of the new \$1.75 cap. The total number of new units possible between 1999 and 2003 would be 132,963.

As the attached chart shows, if the cap is increased by 40 percent in 1999 and indexed against future inflation in each of the next four years, the number of additional units during the five-year period would be 160,873—27,910 more units than would be possible if the new cap is not indexed.

Attachment

House Ways and Means							
Member	State	Co sponsor	LISC Contact	Needs	Scheduled Events	Scheduled Editorials	Investors
Archer (chair) (R)	TX		Mosbacher by Marshall, Bush	Event	Event - Allen, Parkway Village (May/June)	Complete (Chronicle)	BofA, Chase, Prudential, Kimberly- Clark, BancOne, MetLife
Bunning (R)	KY		Rural/Brenda MacDaniels	Need Nothing			
Camp (R)	MI		Logue	Event	TBD - Alberta King		
Christensen (R)	NE	e	Rural/Rosen Mark Weinberger David Stanley?	Editorial (Omaha)	Products in Omaha		
Collins (R)	GA		Duvernay	Editorial (Constitution)			
Crane (R)	IL		Varones Holleb& Coff; Fran Grossman	Nothing		Complete (Tribune & Sun-times)	
Dunn (R)	WA	e	Lattimore, Mark Blatter	Editorial (Seattle)	Issaquah (April 21), Marysville w/ Metcalf (April 14), Sunset Ridge (April 28), Tour/Board Meeting (May 28)		Washington Mutual, BofA, Boeing, Weyerhaeuser, Prudential, Kimberly- Clark, Fannie, Freddie
English (R)	PA	e,j	on both	Event & Editorial (Pittsburgh)	Check with NEF		
Ensign (R)	NV	e	Tom Morgan/LAC	Event and Editorial (Las Vegas)	Check with Tom		

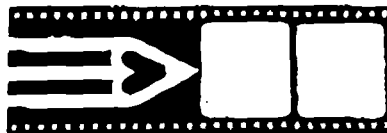
Hayworth (R)	AZ		For Profits; CK w/ DY		Pipeline: Mercy Housing in Florence, Villa de Merced in Mesa, Winslow Crossing in Winslow, Harry Clark Housing in Mammoth, Primavera Transitional Housing in Tuscon, Spring Valey in Mayer		BofA, BancOne
Herger (R)	CA		Cali folks Bobby	Need Event - ck CEF for Chico	Need Ed - Which paper?		
Houghton (R)	NY	e,j	ok	Need Nothing	Need Nothing		
Hulshof (R)	MO		Colleen David	Editorial (St. Louis)	Mt. Cleveland (May 11)		Hallmark, KC Power, HR Block, Payless
Johnson (R)	CT	j	meeting scheduled w/PSG	Editorial (Courant)	Stamford, openings for Atlantic Park and Colony Apts. Supportive Housing (April 2)		Chase, Fannie, CitiCorp, Kimberly- Clark, Freddie
S. Johnson (R)	TX		nothing	Nothing	na		
McCrery (R)	LA		nothing	Nothing	na		
Nussle (R)	IO		nothing	Editorial (des Moines Register)	No Product		
Portman (R)	OH		Voinovich letter	Editorial (Cincinnati)			
Ramstad (R)	MN	j	Latimer St. Paul Cos.	Editorial (Twin Cities)	May 28 - Open House, TBD - Alliance Apts		St. Paul Cos.
Shaw (R)	FL		PSG to Rider Fericelli/ Burnham, Johnson Bill, West Palm	Editorial (Miami)	4/30 Affordable Housing Conf. (May); Photo Exhibit (June)		

Thomas (R)	CA		Anita, Bucky, Howard, John Seymore, Cali Folks	Event & Editorial	Check with Bakersfield (CEF)		
Watkins (R)	OK		forget	Nothing	na		
Weller (R)	IL	j	PSG, Varones/Southtown	Event - Mayfair?, Willard School?		Complete (Tribune & Sun-times)	
Rangel (ranking) (D)	NY	e	PSG, All	Event - NY Raise Announcement		NYT, Post, Daily News	
Becerra (D)	CA		BR, LA folks, S. Anderson	Editorial (LA Times)	Los Altos - Late May		Wells, BofA, Avery Dennison, Fannie, Freddie
Cardin (D)	MD	e	Enterprise	Editorial (Baltimore)			
Coyne (D)	PA	e	Skip, Jahr	Event & Editorial (Pittsburgh)	Check with Skip		
Jefferson (D)	LA		PSG/Entergy Tom Ed and Morial, Talk to Rob	Editorial (Times Picayune)	Orchard Park (May)		
Kennelly (D)	CT	e	Running for Governor - include in event.	Event & Editorial (Courant)	Check with Manson		
Kleczka (D)	WI		call Schwartz Bill Perkins	Editorial (Milwaukee)	Beauchamp Townhouses (June)		Kimberly-Clark
Lewis (D)	GA		Enterprise, CSH	Editorial (Constitution)	Auburn Street		
Levin (D)	MI		MK	Editorial (Free Press)	TBD - Alberta King		Fannie
Matsui (D)	CA	e	Cali folks	Event & Editorial (Bee)	check with CEF		

McDermott (D)	WA	e	Lattimore	Editorial (Seattle)	Marysville (April 14)		Washington Mutual, Weyerhaeuser, Boeing, Wells, BofA
McNulty (D)	NY			Nothing			
Neal (D)	MA	e	PAF Jeff McQueen	Editorial (Springfield)	na		
Stark (D)	CA		Cali folks/NPH	Editorial (Oakland)	Rose Hotel (April 16)		BofA, Wells
Tanner (D)	TN		nothing	Nothing			
Thurman (D)	FL		nothing	Nothing	na		
Senate Finance							
Roth (Chair) (R)	DE	X	Rendell/PSG	Editorial (Wilmington)	None		
Chaffee (R)	RI	X	Buddy Cianci, Barbara Fields	Event & Editorial (Providence)	Neighborhood Deve. Fund II (April 4), other events through June		
Damato (R)	NY	X	Juliani by Mark and Bill	Events & Editorials (Daily News)	Four Neighborhoods; NY Raise		
Gramm (R)	TX		Mossbacher/Marshall, George Bush	Editorials (Dallas, St. Antonio), Houston is Done	Allen Parkway Village (May/June)		
Grassley (R)	IO		Rural group/Andy Mooney	Editorial (Des Moines)	None		
Hatch (R)	UT		Mike Mantle		None		
Jeffords (R)	VT	X	Not Necessary	Editorial (Mt. Pelier Paper)			
Lott (R)	MS		Joe O'Keefe	Editorial (Clarion Ledger)	Farish House, Delta May		

Mack (R)	FL		Buzz, Chris Lord, Follow up with Barbara	Editorial (Miami)	May? June - Photo Exhibit, NY Tour in NY		
Markowsji (R)	AK		Cynthia Parker, Bob Raposa	Editorial via Cynthia		Check w/Parker	
Nickles (R)	OK			Nothing (Leave alone)	None		
Monyihan (Ranking) (D)	NY		Patty	Events & Editorials (Daily News)	Invite to Raise in May		
Baucus (D)	MT		Rural Group, Bill Zimmerman	Nothing		Check w/ Rural	
Braun (D)	IL	X	MK, Call Briggs/Bill Matee	Editorials (Crains, Southtoen, Herald, Defender)	Willard Square, St. Ed's Plaza		
Breaux (D)	LA		Tom, Moriel, PSG	Events & Editorial (Times Picayune)	Orchard Park (Late May)		
Bryan (D)	NV	X	Tom Morgan, Adv. Committee	Editorial (Las Vegas)			
Conrad (D)	ND		Bill Zimmerman, MK		None		
Graham (D)	FL	X	MK, Bill Kaplan, Robin Ryder, Ferengelli, Burnham	Event	4/30 Affordable Housing Conf.; May/June - Photo Exhibit		
Kerrey (D)			Rural Group, Mark Weinberger, Rosen	Editorial (omaha)	None		
Rockefeller (D)	WV	X	Stephanie O'Keefe	Editorial (Gazette)	None		

Senete Leadership							
Gingrich (R)	GA		Tom Jones, PSG< Millard	Editorial	Auburn Ave in May Farish Street (March 19), Jackson Cauley Estates, Wash City		Kimberly-Clark, Prudential, Fannie, Freddie, MetLife, BofA
Lott (R)	MS		Staff				Kimberly-Clark, Fannie
Daschle (D)	ND		Rozen, Meehan, Mann, Stephani	No Product	No Product		
Gephardt (D)	MO		Colleen, Sufferden		Mt. Cleveland (May 11)		Hallmark, Payless, HR Block, KC Power

*Marilyn Katz*

MK COMMUNICATIONS, INC.
Public Policy
Communications
& Consulting

350 West Hubbard, Ste. 200
Chicago, Illinois 60610
Tel: 312/822-0505
Fax: 312/822-0568
E-mail: MarilynMKC@aol.com

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NEF EVENTS (List in process)

- April 8** **Wenatchee, WA: Sunset Ridge Apts grandopening 32-Unit affordable housing development and community center. These are two story townhomes in a neighborhood. Of the 32 units, six are designed for developmentally disabled individuals; eight are for large families and eight will serve as transitional housing for those households participating in a sufficiency program. This is a Tax Credit deal in semirural Washington. Confirmed on the agenda are: U.S, Rep Doc Hastings (conservative but supports community development); John Rodgers, Exec. Dir. East Wenatchee Mayor Dawn Collins; and State Senator George Seller (#2 person in state majority party). Possible tax-credit expansion event. (NEF)**
Congressional ties: Hastings
- April 13** **Toledo: Day-long series of opportunities for Paul Grogan, including Rotary Luncheon speech, evening CDC celebration, editorial board meetings and meeting with Rep. Kaptur. Will also include a groundbreaking/ribbon-cutting/tour of perhaps four tax credit deals – Totco Homes, Northriver Homes, Warren-Sherman Flats or Toledo Homes. (LISC/NEF)**
Congressional ties: Kaptur
- April 14** **4:45 PM Marysville, WA: Beachwood Apts groundbreaking. Confirmed at this event is Metcalf. Sponsor is Housing Hope. This is NEF's third project with this sponsor. 24 units Maryville is approx. 60 min. North of Seattle.**
Congressional ties: Dunn
- April 15** **Newark: Groundbreaking for Corinthian II deal.(NEF) This development provides 49 newly-constructed affordable two and three bedroom townhouse units on scattered sites located primarily in Newark's Central Ward. All of the project's units are affordable for households earning 50 percent or less of the area median income. Newark's Central Ward is a low-income, predominantly African-American community. Corinthian Homes served to consolidate and advance community revitalization efforts spreading westward from the downtown business district and sparked a renewed interest in redevelopment in the area.**
Sponsor: The Corinthian Housing Development Corporation

- April 15** **Indianapolis: Groundbreaking for the Seminole, sponsored by Riley Area CDC. (NEF)**
- April 16** **San Francisco: Rose Hotel provides 75 units of affordable supportive single resident (SRO) occupancy housing in a moderately rehabilitated and reconfigured four-story building. Tenants have access to a range of supportive social services through the Health, Housing and Integrated Services Network (HHISN) Managed Care Demonstration Project administered by the Corporation for Supportive Housing. HHISN services include health care, mental health services, substance abuse treatment, and employment counseling and placement. The project is located in San Francisco's South of Market district. South of Market is high density mixed residential and commercial area which has traditionally been known for high concentrations of substandard affordable housing. Following the 1987 Loma Prieta earthquake, the district was designated as the San Francisco South Market Earthquake Recovery Redevelopment Project; with an influx of public funds-and of private investments such as this one-the area has since begun to see significant improvements. The earthquake destroyed many of the SRO units so sorely needed by San Francisco's low-income and homeless population. This development brings decent rental options to an area that has not historically had them. Sponsored by Mercy Charities Housing California**
- April 21** **2:30 PM Issaquah WA: The \$6.7 million Highland Gardens development provides 51 units of affordable housing in the Klahanie planned community in suburban Issaquah. The project offers a mix of one, two, three, four, and five bedroom apartments in five newly-constructed two-story buildings. All of the project's units are affordable to households earning less than 50 percent of the area median income: 26 units are reserved for households with an income at 30 percent or less of the area median. The sponsors have set aside 11 apartments for occupancy by tenants with disabilities. Well over half of the units at Highland Gardens is targeted in part towards East King County's large Lao immigrant population; the Lao community stands in real need of larger rental units to accommodate traditionally large extended families. Sponsors are St. Andrew's Housing Group and Interim Community Development Association a nonprofit group organized in 1979 to facilitate community development in Seattle's International District, and in the city's Asian and Pacific community .(NEF)**

- April 21** Congressional ties: Dunn
National Press Conference Washington DC – 9:30 on the Hill
inviting sponsoring members
- April 22** New Orleans: Groundbreaking for community
policing/resource facility. Partners include Dept. of Justice,
Police Foundation, Police Department, and the Mayor. Project
is rehab of historic landmark. May want to reach out to Sec.
Janet Reno, and if she attends will want Paul Grogan. (LISC)
- April 27** Seattle: ALHFA Conference Not going to do an event because
of the other events.
- April 28** Boston: Luncheon/fundraiser with real estate developers with
Paul Grogan and Mayor Menino.
- May 3-5** Sacramento: Housing California '98 conference. Francis Fox
Piven is the keynote speaker.
- May 4** Willard Sq. Apts. Is a 100-unit development on varied sites on
South Saint Lawrence Avenue, South Champlain and East 50th
Street in Chicago's North Washington Park community. The
new construction and substantial rehab development is on the
West side of the site where the long-vacant Willard School
once stood. The mixed-income rental project was developed
by Technical Assistance Corporation for Housing (TACH) with
equity financing from the National Equity Fund, the nation's
largest non-profit syndicator of Low Income Housing Tax
Credits. The development has 80 low-income and 20 market-
rate rental apartments in 18 buildings. The \$12 million Willard
Square Apartments is financed by a dynamic public/private
financing partnership comprised of the City, a private
mortgage company and NEF. Willard Square is a prime
example of the revitalization the Housing Credit inspires. In
fact, as a mixed-income development, designed to meet the
specific needs of this particular community, it embodies the
flexibility that makes the Housing Credit such an important
tool.
- May 5** Chicago: Corporation For Supportive Housing (CSH)
demonstration deal with NEF and Illinois Housing Finance
Authority (IHFA). Sponsored by Century Place Development
Corporation (CPDC), CDC affiliated with the Heartland
Institute. The Mae Suites development will provide 39 units of
affordable housing in a rehabilitated four-story elevator brick

building in Austin, a neighborhood on Chicago's West side. All of the project's units carry 8 SRO moderate rehabilitation certificates.

**Week of May 11 Kansas City: Mount Cleveland Cooperative Village. Sits above the Swope Parkway Health Center and a child care center. New construction of 35 duplexes. Good visuals. (LISC/NEF)
Congressional ties: Hulshof**

May 19 New York City: Dedication of Mascotte Playground in Manhattan Valley.

**Postponed to June Detroit: Albera W. King development groundbreaking. This is an important deal for Detroit and will be used to relaunch the Detroit program, which has a new program director. Alberta W. King was Martin Luther King, Jr.'s, mother.
Congressional ties: Camp**

May 27-28 Seattle: NEF Board meeting. This will include a tour and a Tax Credit press event at Lake Washington Apts.

June 2-3 Los Angeles (And October in Philadelphia) – CNP: Forums designed to continue to spread the positive message about urban America as reflected in the LISC/CNP report.

June 6 Habitat's "Houses that Congress Built" National Day of Recognition" Eleven LISC sites have been selected to participate in this high-profile Habitat event. These are: Kalamazoo; Houston; Mid-South Delta; New York; Oakland (Bay Area); Muncie, IN; Paterson, NJ (new Jersey Statewide); Newark; Hammond, IN (northwest Indiana); Phoenix; and Richmond. Opportunity to broaden relationship with Habitat, and cement relationships with members of Congress. 419 members have agreed to participate.

June 8-9 Philadelphia: LISC Board meeting

June 20 New Haven: TRI ribbon-cutting with all the principals – Paul Grogan, Cabinet Sec., Yale U, Governor, Mayor, etc.

June 28-July 1 National Staff Meeting – West Palm Beach: Working to identify opportunities in area for press and related activity.

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- April 13** **Toledo: Day-long series of opportunities for Paul Grogan, including Rotary Luncheon speech, evening CDC celebration, editorial board meetings and meeting with Rep. Kaptur. Will also include a groundbreaking/ribbon-cutting/tour of perhaps four tax credit deals – Totco Homes, Northriver Homes, Warren-Sherman Flats or Toledo Homes. (LISC/NEF)
Congressional ties: Kaptur**
- April 14** **4:45 PM Marysville, WA: Beachwood Apts groundbreaking. Confirmed at this event is Metcalf. Sponsor is Housing Hope. This is NEF's third project with this sponsor. 24 units Maryville is approx. 60 min. North of Seattle.
Congressional ties: Dunn**
- April 15** **Newark: Groundbreaking for Corinthian II deal.(NEF) This development provides 49 newly-constructed affordable two and three bedroom townhouse units on scattered sites located primarily in Newark's Central Ward. All of the project's units are affordable for households earning 50 percent or less of the area median income. Newark's Central Ward is a low-income, predominantly African-American community. Corinthian Homes served to consolidate and advance community revitalization efforts spreading westward from the downtown business district and sparked a renewed interest in redevelopment in the area.
Sponsor: The Corinthian Housing Development Corporation**

- April 15** **Indianapolis: Groundbreaking for the Seminole, sponsored by Riley Area CDC. (NEF)**
- April 16** **San Francisco: Rose Hotel provides 75 units of affordable supportive single resident (SRO) occupancy housing in a moderately rehabilitated and reconfigured four-story building. Tenants have access to a range of supportive social services through the Health, Housing and Integrated Services Network (HHISN) Managed Care Demonstration Project administered by the Corporation for Supportive Housing. HHISN services include health care, mental health services, substance abuse treatment, and employment counseling and placement. The project is located in San Francisco's South of Market district. South of Market is high density mixed residential and commercial area which has traditionally been known for high concentrations of substandard affordable housing. Following the 1989 Loma Prieta earthquake, the district was designated as the San Francisco South Market Earthquake Recovery Redevelopment Project; with an influx of public funds-and of private investments such as this one-the area has since begun to see significant improvements. The earthquake destroyed many of the SRO units so sorely needed by San Francisco's low-income and homeless population. This development brings decent rental options to an area that has not historically had them. Sponsored by Mercy Charities Housing California**
- April 21** **2:30 PM Issaquah WA: The \$6.7 million Highland Gardens development provides 51 units of affordable housing in the Klahanie planned community in suburban Issaquah. The project offers a mix of one, two, three, four, and five bedroom apartments in five newly-constructed two-story buildings. All of the project's units are affordable to households earning less than 50 percent of the area median income: 26 units are reserved for households with an income at 30 percent or less of the area median. The sponsors have set aside 11 apartments for occupancy by tenants with disabilities. Well over half of the units at Highland Gardens is targeted in part towards East King County's large Lao immigrant population; the Lao community stands in real need of larger rental units to accommodate traditionally large extended families. Sponsors are St. Andrew's Housing Group and Interim Community Development Association a nonprofit group organized in 1979 to facilitate community development in Seattle's International District, and in the city's Asian and Pacific community .(NEF)**
- Congressional ties: Dunn**

- April 21** **National Press Conference Washington DC – 9:30 on the Hill inviting sponsoring members**
- April 22** **New Orleans: Groundbreaking for community policing/resource facility. Partners include Dept. of Justice, Police Foundation, Police Department, and the Mayor. Project is rehab of historic landmark. May want to reach out to Sec. Janet Reno, and if she attends will want Paul Grogan. (LISC)**
- April 27** **Seattle: ALHFA Conference Not going to do an event because of the other events.**
- April 28** **Boston: Luncheon/fundraiser with real estate developers with Paul Grogan and Mayor Menino.**
- May 3-5** **Sacramento: Housing California '98 conference. Francis Fox Piven is the keynote speaker.**
- May 4** **Willard Sq. Apts. Is a 100-unit development on varied sites on South Saint Lawrence Avenue, South Champlain and East 50th Street in Chicago's North Washington Park community. The new construction and substantial rehab development is on the West side of the site where the long-vacant Willard School once stood. The mixed-income rental project was developed by Technical Assistance Corporation for Housing (TACH) with equity financing from the National Equity Fund, the nation's largest non-profit syndicator of Low Income Housing Tax Credits. The development has 80 low-income and 20 market-rate rental apartments in 18 buildings. The \$12 million Willard Square Apartments is financed by a dynamic public/private financing partnership comprised of the City, a private mortgage company and NEF. Willard Square is a prime example of the revitalization the Housing Credit inspires. In fact, as a mixed-income development, designed to meet the specific needs of this particular community, it embodies the flexibility that makes the Housing Credit such an important tool.**
- May 5** **Chicago: Corporation For Supportive Housing (CSH) demonstration deal with NEF and Illinois Housing Finance Authority (IHFA). Sponsored by Century Place Development Corporation (CPDC), CDC affiliated with the Heartland Institute. The Mae Suites development will provide 39 units of affordable housing in a rehabilitated four-story elevator brick building in Austin, a neighborhood on Chicago's West side.**

All of the project's units carry 8 SRO moderate rehabilitation certificates.

**Week of May 11 Kansas City: Mount Cleveland Cooperative Village. Sits above the Swope Parkway Health Center and a child care center. New construction of 35 duplexes. Good visuals. (LISC/NEF)
Congressional ties: Hulshof**

May 19 New York City: Dedication of Mascotte Playground in Manhattan Valley.

**Postponed to June Detroit: Albera W. King development groundbreaking. This is an important deal for Detroit and will be used to relaunch the Detroit program, which has a new program director. Alberta W. King was Martin Luther King, Jr.'s, mother.
Congressional ties: Camp**

May 27-28 Seattle: NEF Board meeting. This will include a tour and a Tax Credit press event at Lake Washington Apts.

June 2-3 Los Angeles (And October in Philadelphia) – CNP: Forums designed to continue to spread the positive message about urban America as reflected in the LISC/CNP report.

June 6 Habitat's "Houses that Congress Built" National Day of Recognition" Eleven LISC sites have been selected to participate in this high-profile Habitat event. These are: Kalamazoo; Houston; Mid-South Delta; New York; Oakland (Bay Area); Muncie, IN; Paterson, NJ (new Jersey Statewide); Newark; Hammond, IN (northwest Indiana); Phoenix; and Richmond. Opportunity to broaden relationship with Habitat, and cement relationships with members of Congress. 419 members have agreed to participate.

June 8-9 Philadelphia: LISC Board meeting

June 20 New Haven: TRI ribbon-cutting with all the principals – Paul Grogan, Cabinet Sec., Yale U, Governor, Mayor, etc.

June 28-July 1 National Staff Meeting – West Palm Beach: Working to identify opportunities in area for press and related activity.

Bill Summary & Status for the 105th Congress

[NEW SEARCH](#) | [HOME](#) | [HELP](#) | [ABOUT COSPONSORS](#)

S.1252SPONSOR: [Sen D'Amato](#) (introduced 10/03/97)RELATED BILLS: [H.R.2990](#)

34 COSPONSORS:

<u>Sen Graham</u> - 10/03/97	<u>Sen Shelby</u> - 10/24/97
<u>Sen Rockefeller</u> - 10/24/97	<u>Sen Johnson</u> - 10/24/97
<u>Sen Cochran</u> - 10/24/97	<u>Sen Leahy</u> - 10/27/97
<u>Sen Sarbanes</u> - 10/28/97	<u>Sen Boxer</u> - 10/30/97
<u>Sen Sessions</u> - 10/31/97	<u>Sen Gregg</u> - 10/31/97
<u>Sen Jeffords</u> - 10/31/97	<u>Sen Craig</u> - 11/07/97
<u>Sen Kerry</u> - 11/07/97	<u>Sen Moseley-Braun</u> - 11/07/97
<u>Sen Chafee</u> - 11/13/97	<u>Sen DeWine</u> - 11/13/97
<u>Sen Smith, Bob</u> - 11/13/97	<u>Sen Durbin</u> - 01/29/98
<u>Sen Wellstone</u> - 02/03/98	<u>Sen Feinstein</u> - 02/03/98
<u>Sen Levin</u> - 02/11/98	<u>Sen Reed</u> - 02/12/98
<u>Sen Grams</u> - 02/24/98	<u>Sen Bryan</u> - 03/05/98
<u>Sen Thomas</u> - 03/17/98	<u>Sen Ford</u> - 03/17/98
<u>Sen Hutchinson</u> - 03/17/98	<u>Sen Torricelli</u> - 03/17/98
<u>Sen Murray</u> - 03/23/98	<u>Sen Collins</u> - 03/23/98
<u>Sen Snowe</u> - 03/23/98	<u>Sen Allard</u> - 03/23/98
<u>Sen Hollings</u> - 03/26/98	<u>Sen Landrieu</u> - 04/03/98

1-HOUSING ~~CREDIT~~

CAP INCREASE

MATERIALS

105TH CONGRESS
1ST SESSION

S. 1252

IN THE SENATE OF THE UNITED STATES

Mr. D'AMATO (for himself and Mr. GRAHAM) introduced the following bill;
which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. INCREASE IN STATE CEILING ON LOW-INCOME**

4 **HOUSING CREDITS.**

5 (a) IN GENERAL.—Section 42(h)(3)(C)(i) of the In-
6 ternal Revenue Code of 1986 (relating to State housing
7 credit ceiling) is amended by striking “\$1.25” and insert-
8 ing “\$1.75”.

1 (b) ADJUSTMENT OF STATE CEILING FOR IN-
2 CREASES IN COST-OF-LIVING.—Section 42(h)(3) of the
3 Internal Revenue Code of 1986 (relating to housing credit
4 dollar amount for agencies) is amended by adding at the
5 end the following new subparagraph:

6 “(H) COST-OF-LIVING ADJUSTMENT.—

7 “(i) IN GENERAL.—In the case of a
8 calendar year after 1998, the dollar
9 amount contained in subparagraph (C)(i)
10 shall be increased by an amount equal to—

11 “(I) such dollar amount, multi-
12 plied by

13 “(II) the cost-of-living adjust-
14 ment determined under section 1(f)(3)
15 for such calendar year by substituting
16 ‘calendar year 1997’ for ‘calendar
17 year 1992’ in subparagraph (B) there-
18 of.

19 “(ii) ROUNDING.—If any increase
20 under clause (i) is not a multiple of \$1,
21 such increase shall be rounded to the next
22 lowest multiple of \$1.”

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to calendar years after 1997.

105TH CONGRESS
1ST SESSION

H. R. 2990

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 9, 1997

Mr. ENSIGN (for himself, Mr. RANGEL, Mr. LAZIO of New York, Mr. CHRISTENSEN, Mr. GIBBONS, Ms. LOFGREN, Mr. ENGLISH of Pennsylvania, Mr. BACHUS, Mr. RILEY, Mr. CALLAHAN, Mr. KENNEDY of Massachusetts, Mr. MICA, Mr. EVERETT, Mr. THOMPSON, Mr. HOUGHTON, Mr. WEYGAND, Mr. ADERHOLT, Mr. CARDIN, Mr. HILLIARD, Mr. CRAMER, Ms. DANNER, Ms. PELOSI, Mr. SKELTON, Mr. DIAZ-BALART, Mr. FILNER, Mr. FROST, Mr. CRAPO, Mr. ADAM SMITH of Washington, Mr. REYES, Mr. NEAL of Massachusetts, Ms. WOOLSEY, and Mr. KUCINICH) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

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 21 for such calendar year by substituting
 22 ‘calendar year 1997’ for ‘calendar
 23 year 1992’ in subparagraph (B) there-
 24 of.

25 “(ii) ROUNDING.—If any increase
 26 under clause (i) is not a multiple of \$1,

1 such increase shall be rounded to the next
2 lowest multiple of \$1.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to calendar years after 1997.

○

HOUSING CREDIT AUTHORITY

Allocating Agency	1997 Population	Current Cap (\$1.25 Per Capita)	Adjusted Cap (\$1.75 Per Capita)
Alabama	4,273,000	5,341,250	7,477,750
Alaska	607,000	758,750	1,062,250
Arizona	4,428,000	5,535,000	7,749,000
Arkansas	2,510,000	3,137,500	4,392,500
California	31,878,000	39,847,500	55,786,500
Colorado	3,823,000	4,778,750	6,690,250
Connecticut	3,274,000	4,092,500	5,729,500
Delaware	725,000	906,250	1,268,750
District of Columbia	543,000	678,750	950,250
Florida	14,400,000	18,000,000	25,200,000
Georgia	7,353,000	9,191,250	12,867,750
Hawaii	1,184,000	1,480,000	2,072,000
Idaho	1,189,000	1,486,250	2,080,750
Illinois	11,847,000	14,808,750	20,732,250
Indiana	5,841,000	7,301,250	10,221,750
Iowa	2,852,000	3,565,000	4,991,000
Kansas	2,572,000	3,215,000	4,501,000
Kentucky	3,884,000	4,855,000	6,797,000
Louisiana	4,351,000	5,438,750	7,614,250
Maine	1,243,000	1,553,750	2,175,250
Maryland	5,072,000	6,340,000	8,876,000
Massachusetts	6,092,000	7,615,000	10,661,000
Michigan	9,594,000	11,992,500	16,789,500
Minnesota	4,658,000	5,822,500	8,151,500
Mississippi	2,716,000	3,395,000	4,753,000
Missouri	5,359,000	6,698,750	9,378,250
Montana	879,000	1,098,750	1,538,250
Nebraska	1,652,000	2,065,000	2,891,000
Nevada	1,603,000	2,003,750	2,805,250
New Hampshire	1,162,000	1,452,500	2,033,500
New Jersey	7,988,000	9,985,000	13,979,000
New Mexico	1,713,000	2,141,250	2,997,750
New York	18,185,000	22,731,250	31,823,750
North Carolina	7,323,000	9,153,750	12,815,250
North Dakota	644,000	805,000	1,127,000
Ohio	11,173,000	13,966,250	19,552,750
Oklahoma	3,301,000	4,126,250	5,776,750
Oregon	3,204,000	4,005,000	5,607,000
Pennsylvania	12,056,000	15,070,000	21,098,000
Puerto Rico	3,522,037	4,402,546	6,163,565
Rhode Island	990,000	1,237,500	1,732,500
South Carolina	3,699,000	4,623,750	6,473,250
South Dakota	732,000	915,000	1,281,000
Tennessee	5,320,000	6,650,000	9,310,000
Texas	19,128,000	23,910,000	33,474,000
Utah	2,000,000	2,500,000	3,500,000
Vermont	589,000	736,250	1,030,750
Virgin Islands	101,809	127,261	178,166
Virginia	6,675,000	8,343,750	11,681,250
Washington	5,533,000	6,916,250	9,682,750
West Virginia	1,826,000	2,282,500	3,195,500
Wisconsin	5,160,000	6,450,000	9,030,000
Wyoming	481,000	601,250	841,750
Total	268,907,846	336,134,808	470,588,731

Source: National Council of State Housing Agencies



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 105th CONGRESS, FIRST SESSION

Vol. 143

WASHINGTON, FRIDAY, OCTOBER 3, 1997

No. 136

By Mr. D'AMATO (for himself
and Mr. GRAHAM):

S. 1252. A bill to amend the Internal Revenue Code of 1986 to increase the amount of low-income housing credits which may be allocated in each State, and to index such amount for inflation; to the Committee on Finance.

THE LOW-INCOME HOUSING TAX CREDIT CAP ACT
OF 1997

Mr. D'AMATO. Mr. President, I rise today with my friend and colleague, Senator GRAHAM of Florida, to introduce long overdue legislation to increase the cap on State authority to allocate low-income housing tax credits—housing credits—to \$1.75 per capita, and to index the cap to inflation. The current cap of \$1.25 per capita has not been adjusted—not even to account for inflation—since the program was created over a decade ago. This cap is strangling a State's capacity to meet pressing low-income housing needs.

Annual cap growth is limited to the increase in State population, which has only been 5 percent nationwide over the past decade. During the same time period, inflation has eroded the housing credit's purchasing power by approximately 45 percent, as measured by the Consumer Price Index.

Mr. President, as you may know, housing credits are the primary Federal-State tool for producing affordable rental housing across the country. Since 1987, State agencies have allocated more than \$3 billion in housing credits to help finance nearly 900,000 apartments for low-income families, including 75,000 apartments in 1996. In my own State of New York, the credit is responsible for helping finance 44,000 apartments for low-income New Yorkers, including 4,450 apartments in 1996.

Earlier this year, the General Accounting Office issued a comprehensive report giving the housing credit a clean bill of health. That report documents that the program in fact exceeds a number of important congressional objectives. For example, though the law allows housing credit apartment renters to earn up to 60 percent of the area median income, GAO documented the average tenant's income at just 37 percent, and found that more than three out of four renters have incomes under 50 percent of the area median income. GAO also found that rents in housing credit apartments are well below market rents, up to 23 percent less than the maximum permitted, and 25 percent below HUD's national fair market rent.

The GAO report also documents that States are giving preference to apartments serving low-income tenants longer than the 15 years the law requires. In fact, two-thirds of the apartments GAO studied were set aside for low-income use for 30 years or more.

A second major assessment of the credit has been objectively completed by Ernst & Young, reiterating many of the positive findings of the GAO report, demonstrating a tremendous need for additional affordable housing, and documenting the devastating effect of the current cap on States' ability to finance this critically needed housing.

Despite the success of the housing credit in meeting affordable rental housing needs, the apartments it helps finance can barely keep pace with the nearly 100,000 low cost apartments which are demolished, abandoned, or converted to market rate use each year. Increasing the housing credit cap, as Senator GRAHAM and I propose, would allow States to finance approximately 25,000 more critically needed low-income apartments each year.

Nationwide, demand for housing credits outstrips supply by more than 3 to 1. In 1996, States received applications requesting more than \$1.2 billion in housing credits—far surpassing the \$365 million in credit authority available to allocate that year.

In New York, the New York Division of Housing and Community Renewal received applications requesting more than \$104 million in housing credits in 1996—nearly four times the \$29 million in credit authority it already had available. When I think of the immense need for affordable housing within my State, I can only characterize this decade-old limit on State credit authority as an overwhelmingly lost opportunity.

Mr. President, in 1993, Congress made the housing credit permanent with unprecedented, overwhelmingly bipartisan cosponsorship. In addition, the Nation's Governors have adopted a policy calling for an increase in the housing credit cap.

Mr. GRAHAM. Mr. President, today I join my colleague Senator D'AMATO as we introduce legislation to increase the amount of low income housing tax credits allocated to the States and to index the low-income housing credit for inflation.

In a time of fiscal austerity, housing credits encourage private investment in economically sound, privately owned, affordable homes for low-in-

come working families in all 50 States. By helping families that get up and go to work every day to earn their rent and mortgage payments, the low-income housing credit provides families with an important stake in maintaining self-sufficiency.

Mr. President, the low-income housing tax credit was created in the 1986 tax reform bill in the wake of decreasing appropriations for federally-assisted housing and the elimination of other tax incentives for rental housing production. The housing credit encourages the construction and renovation of low-income housing by reducing the tax liability placed on the developers of affordable homes. The credit is based on the costs of development as well as the percentage of units devoted to low-income families or individuals.

The current formula used in determining a State's housing credit allocation is \$1.25 multiplied by the State's population. Unlike other provisions in the Tax Code, this formula has not been adjusted since the credit was created in 1986. During the same period, inflation has eroded the credit's purchasing power by nearly 45 percent, as measured by the Consumer Price Index.

The bipartisan bill Senator D'AMATO and I introduce today proposes to increase the annual limitation on State authority to allocate low income housing tax credits to \$1.75 per capita and index the cap for inflation. By freeing the 10-year-old cap on housing credits from its current limitation, as requested by the Nation's Governors, our bill will liberate States' capacity to help millions of Americans who still have no decent, safe, affordable place to live.

A brief look at the history of the housing credit provides ample evidence of why our legislation is needed. In the State of Florida, for example, the LIHTC has used more than \$187 million in tax credits to produce approximately 42,000 affordable, rental units, valued at over \$2.2 billion. Tax credit dollars are leveraged at an average of \$18 to \$1. Nevertheless, in 1996, nationwide demand for the housing credit greatly out paced supply by a ratio of nearly 3 to 1. In Florida, credits are distributed based upon a competitive application process and many worthwhile projects are denied due to a lack of tax credit authority.

This spring, the U.S. General Accounting Office (GAO), Congress' main investigative agency, released a na-

tional audit of the Low-Income Housing Tax Credit Program. The GAO found that the average housing credit apartment renter earns only 37 percent of the local area median income. Further, surveyed properties—more than 450—appeared to be in good condition and well-maintained. Additionally, the GAO reported that housing credit properties “overwhelmingly comply with statutory and regulatory requirements.”

Mr. President, I'd like to draw attention to one example of how the low-income housing tax credit has benefited American families. I am referring to the Holly Cove housing community developed by Vestcor Equities near Jacksonville, FL. Vestcor provides clean, safe and affordable living environments for low- to moderate-income residents by developing, renovating, and operating multifamily communities.

In addition to affordable housing, Vestcor, through developments such as Holly Cove provides community services to improve the quality of life of their residents. Through counseling, education, and resident involvement, Vestcor energizes its community and provides residents with the tools they need for success. Activities and educational programs offered include: budgeting and credit counseling, resume writing assistance, GED classes, substance abuse counseling, and after school homework assistance. In short, with the help of the low-income housing tax credit, Vestcor Equities strengthens the community by investing in children and families.

Vestcor Equities provides first-hand evidence of the important role the low-income housing tax credit offers as a catalyst of private sector investment in our communities.

Mr. President, as we struggle to balance the budget and restore fiscal responsibility in Washington, the housing credit allows bureaucrats to step aside and let the free market fill an important need in America's communities. I hope my colleagues will embrace this important legislation.

United States Senate

WASHINGTON, DC 20510

October 6, 1997

Dear Colleague,

Please join us in a bipartisan effort to increase the annual limitation on state authority to allocate Low Income Housing Tax Credits (LIHTC) to \$1.75 per capita, and index the cap to inflation.

The current LIHTC cap - \$1.25 per capita - has not been adjusted since the program was created in 1986. The annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade. During the same time period, inflation has eroded the Credit's purchasing power by approximately 45 percent, as measured by the Consumer Price Index.

The LIHTC is the primary Federal-State tool for producing affordable rental housing across the country. Since 1987, state agencies have allocated more than \$3 billion in Credits to help finance nearly 900,000 apartments for low-income families, including 75,000 apartments in 1996.

Despite the success of the LIHTC in meeting affordable rental housing needs, the apartments it helps finance can barely keep pace with the nearly 100,000 low cost apartments which are demolished, abandoned, or converted to market rate use each year.

Nationwide, demand for Credits outstrips supply by more than three to one. In 1996, states received applications requesting more than \$1.2 billion in Credits - far surpassing the \$365 million in credit authority available to allocate that year.

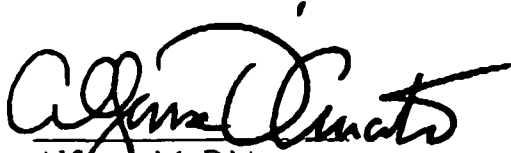
Many tax provisions, such as deductibility of home mortgage interest, grow with the economy. Other provisions, like the personal exemption, are indexed to inflation, while some, like the estate tax exemption, have been adjusted by periodic legislation.

Even as more housing responsibility is transferred to the states, the 10-year-old cap on LIHTCs is strangling state capacity to help the millions of Americans who still have no decent, safe, affordable place to live. As a result, the Nation's governors have adopted a policy calling for an increase in the LIHTC cap.

- 2 -

Please join us in making the long overdue increase a reality. Contact Susan Nassar in Senator D'Amato's office at 4-8369, or Ryan McCormick in Senator Bob Graham's office at 4-4125, to cosponsor.

Sincerely,


Alfonse M. D'Amato
United States Senator
Bob Graham
United States Senator

AMD/san

JOHN E. ENSIGN
1ST DISTRICT, NEVADA



WASHINGTON OFFICE:
414 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5865
FAX: (202) 225-3119

LAS VEGAS OFFICE:
1000 E. SARARA AVE., SUITE D
LAS VEGAS, NV 89104
(702) 731-1801
FAX: (702) 731-1883

HENDERSON OFFICE:
223 LEAD ST., RM. 100
HENDERSON, NV 89015
(702) 564-8883
FAX: (702) 564-8887
E-MAIL ADDRESS: censen@hhr.house.gov

WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON HEALTH
SUBCOMMITTEE ON HUMAN RESOURCES

RESOURCES COMMITTEE
SUBCOMMITTEE ON NATIONAL PARKS,
FORESTS, AND LANDS
SUBCOMMITTEE ON WATER AND
POWER RESOURCES

Congress of the United States
House of Representatives
Washington, DC 20515-2801

October 7, 1997

Support Affordable Housing Update the Low Income Housing Tax Credit

Dear Colleague,

I am writing to urge your support for a bipartisan effort to index the Low Income Housing Tax Credit (LIHTC) for inflation. This bill, S. 1252, has been introduced in the Senate by Senators D'Amato and Graham.

I write to you on behalf of the affordable housing interests throughout the United States. This includes prospective tenants, non-profit housing organizations, builders, developers, realtors, mortgage finance lenders, local housing authorities, and private investors. This proposed bill is critical to preserving the economic value of a scarce resource for the development of affordable housing in America.

The proposed bill is desperately needed in this country because 1) demand for low-income housing tax credits greatly exceeds supply, and, 2) this is a sound public-private partnership that encourages private investment to solve the low income housing shortage.

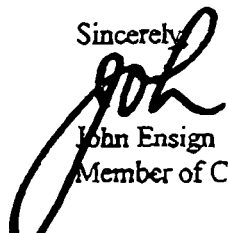
Requests for credits in 1997 greatly outnumbered the supply. For example, in three of our largest states, California, Texas and Florida, the number of credits which were requested under this cap outnumbered the supply by five to one. Similar disequilibrium exists for most of the ten years of the program's history.

The Tax Reform Act of 1986 placed a ceiling on the amount of housing credits which could be allocated each year to each state equal to \$1.25 per capita. Unlike other tax credit programs that are indexed for inflation, the low-income housing tax credit is not. Anyone in the market for a home or searching for a place to rent knows that the cost of housing is greatly affected by inflation. Without the protection an update in the credit provides, the benefits of the LIHTC will erode with time leading to less opportunities for low income individuals to find housing for themselves and their families.

The low income housing credit is a proven answer to the effective development of affordable housing in America. Unlike other housing programs, the housing credit program uses private capital to help construct decent and affordable housing for our citizens. Using the CPI Index, the per capita amount of credits would need to be adjusted upward from \$1.25 to \$1.75. My bill will simply increase the cap to \$1.75.

The current cap is strangling the ability of states and localities to make much needed investment in their citizens and communities. Please join the fight in this long overdue indexing of the housing credit which has provided, and can continue to provide, such tremendous benefit for America. We urge you to cosponsor this proposed bill in order to further this effort. Please contact Scott Bensing in Representative Ensign's office at 5-5965 to cosponsor or if you have any questions.

Sincerely,



John Ensign
Member of Congress

THE LOW INCOME HOUSING TAX CREDIT

What is it?

The Low Income Housing Tax Credit (Housing Credit) program encourages the production of low income housing by offering a credit or reduction in tax liability each year for 10 years for the owners or developers of such housing. The Credit is based on the costs of development and the number of qualified low income units produced. The program was created by Congress in 1986 in the wake of decreasing direct appropriations for federally assisted housing and the elimination of other tax incentives for rental housing production.

Unlike most housing programs, which are administered by the Department of Housing and Urban Development, the Housing Credit is a housing program in the tax code and is therefore administered by the Treasury Department. Housing Credits are allocated by state housing agencies.

What types of projects are eligible to receive the Credit?

In order to receive Credit, a housing project must have a minimum of either 20 percent of its units occupied by low income households under 50 percent of area median income, or 40 percent of its units occupied by households with incomes under 60 percent of area median income. Income limits are adjusted for household size, and in certain unusually high or low housing cost areas.

Both corporations and private individuals may claim Housing Credits for investments in low income housing. Owners must agree to abide by the low income use restrictions for at least 15 years, and in most cases, 30 years or longer. That amount of time is generally referred to as the compliance period.

How much Credit do owners and developers receive?

The Housing Credit rate is approximately 4 percent of total eligible project costs for acquisition projects, and 9 percent for rehabilitation and new construction projects. The 9 percent Credit is reduced to 4 percent if the project receives other federal subsidies or tax-exempt financing (i.e., multi-family mortgage bonds). The actual Credit rate is based on prevailing Treasury interest rates to provide a present value of 30 percent or 70 percent over ten years. The acquisition Credit is only available if owners carry out a minimum amount of rehabilitation spending. In very low income neighborhoods or high cost areas, owners may be eligible for 30 percent more Credit than that to which they would normally be entitled.

The actual dollar amount of Housing Credit received is the Credit rate multiplied by average eligible costs for the number of low income units where tenant incomes and rents are below stated maximums. Non-depreciable costs, such as land, and the amount of any grants are excluded from eligible costs. Additional units that qualify after the first year earn two-thirds of the annual Credit amount for the balance of the 15-year compliance period.

How much rent do the low income tenants pay?

Tenant rent, including utilities, cannot exceed 30 percent of qualifying income levels. To calculate rents for the building, program rules require that the owner assume a certain number of occupants depending upon the size of the apartment. Assumed family size is one person in a studio and 1.5 persons per bedroom (for example, the rent for a 2 bedroom unit would be 30 percent of the 3 person qualifying income level). Owners cannot assume that tenants will receive state or federal rent subsidies. Ultimately, tenants will pay 30 percent of their income inclusive of subsidies, if any, that they receive. These rent restrictions apply during the entire compliance period.

Owners are free to charge market rate rents on the units in their building or project that are not in the Housing Credit program. Technically, all Housing Credit projects are mixed income developments, although in almost all cases, owners must produce 100 percent low income developments to obtain enough subsidy to make the project financially viable because of the stringent limits on the amount of Credit projects can receive.

What happens if a low income tenant leaves or income increases?

When a low income tenant leaves the building, the owner is obliged to maintain that unit as a low income unit. It must be rented to another person or family who falls into the income categories described above. If it is discovered that an owner has failed to maintain the correct number of low income units, the government can recapture, or take back, an amount of Credit which corresponds to the percent of units that are out of compliance.

Tenants whose incomes rise above the qualifying levels are not necessarily required to leave the building or the unit. Household income can increase up to 40 percent (70 percent in special circumstances) above the current eligibility level and the unit would still be a qualified low income unit.

How much Credit can be allocated under this program?

Housing Credits are allocated on a state-by-state basis. Each state can allocate federal Housing Credits up to a total of \$1.25 per resident per year. Only the first year of the 10 years of Housing Credits counts against the state allocation. Projects with tax-exempt financing can receive Housing Credits outside of the state allocation limit, because the tax-exempt financing is subject to its own volume cap.

How do state and local agencies decide which projects receive Credit?

State and local agencies select projects pursuant to a qualified allocation plans. An allocation plan lays out the guidelines and criteria that agencies use to decide which projects receive Credit and how much they will receive. Allocation plans must take into account the types of housing needed in the community, the location and costs of the project, and other factors. Agencies can only award the amount of Credits necessary for the project to be feasible. This ensures that owners are not being subsidized any more than necessary to produce the low income housing.

If a state does not allocate all of its Credits in a given year, it may carry them over for use in the following year. If the Credits are not used by the end of the next year, they return to a national pool to be used by any state that needs them. Projects may carry over unused Credits from the year they receive them as long as ten percent of the project costs are spent by the end of the first year. Projects must use all their Credits by the end of the second year after the allocation year or they will be returned to the issuing agency.

State agencies continuously check tenant rents and incomes and inspect property conditions. They notify the IRS about any ineligible tenants, excessive rent, or significant defect. The IRS can recover any Housing Credit claimed by investors on apartments out of compliance. Investors have a strong stake in keeping Housing Credit apartments in compliance. They can claim the Credit for 10 years, but only as long as their apartments remain in good condition and rented to low income tenants at restricted rents.

Housing Credit Cap Increase Talking Points

- NCSHA supports legislation to increase the annual limitation on state authority to allocate Low Income Housing Tax Credits (Housing Credits) to \$1.75 per capita and to index the cap to inflation.
- The Housing Credit is the primary federal-state tool for producing affordable rental housing all across the country. Since 1987, state agencies have allocated over \$3 billion in Housing Credits to help finance nearly 900,000 apartments for low income families, including 75,000 apartments in 1996.
- Despite the success of the Housing Credit in meeting affordable rental housing needs, the apartments it helps finance can barely keep pace with the nearly 100,000 low cost apartments which are demolished, abandoned, or converted to market rate use each year.
- Nationwide, demand for Housing Credits outstrips supply by more than three to one. In 1996, states received applications requesting over \$1.2 billion in Housing Credits—far surpassing the \$365 million in Credit authority available to allocate that year.
- The current Housing Credit cap—\$1.25 times the state's population—has not been adjusted since the program was created in 1986.
- Annual cap growth is limited to the increase in state population, which has been less than five percent nationwide over the past decade.
- During the same time period, inflation has eroded the Housing Credit's purchasing power by approximately 45 percent, as measured by the Consumer Price Index.
- Many tax provisions, such as deductibility of home mortgage interest, grow with the economy. Other provisions, like the personal exemption, are indexed to inflation, while some, like the estate tax exemption, have been adjusted by periodic legislation.
- The nation's governors have adopted policy calling for an increase in the Housing Credit cap.
- The current cap is strangling state capacity to help the millions of Americans who still have no decent, safe, affordable place to live.

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- **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.

**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?

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