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MEMORANDUM

FOR: Honorable William J. Clinton
Vice President Al Gore

FROM: Henry G. Cisneros

DATE: April --, 1996

SUBJ: Pension Funds Invest in Housing and Stimulate Economy

I want to inform you about the impressive results of one of your innovative efforts to build affordable housing and spur the nation's economy. At the urging of the Administration, Congress appropriated $100 million in FY 1994 and $98 million in FY 1995 to the Section 8 Community Investment Demonstration Program (Pension Fund program). The Pension Fund program will combine pension fund investments and federal rental assistance to create approximately 2,000 units of affordable rental housing for the elderly, low-income households, and working families.

For the first time, this Administration has encouraged the investment of pension funds in socially beneficial projects. At the start of this program, pension funds represented approximately $4 trillion in assets, 30 percent of all financial assets in this country, but the funds were primarily concentrated in stock and bond holdings in traditional markets and increasingly in foreign markets. We have found a way to tap pension investments for an important national priority -- providing homes for the nation's families -- while stimulating the American economy.

The pension fund program is a special public-private partnership that involves the following six pensions: AFL-CIO Housing Investment Trust, Equitable Real Estate Investment Management, Inc., City of New York Pension Fund, Philadelphia Board of Pension and Retirement, California Public Employees Retirement System (CALPERS), and the Fund for Affordable Housing. These six partners will help finance the rehabilitation or construction of approximately 2,000 apartment units, half of which will be reserved for low-income households receiving Section 8 rental assistance. In addition to principal financing from these pension funds, Community Development Block Grants, HOME funds, and low income housing tax credits contribute to the development of these homes.

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As I have mentioned to you before, I encourage you to visit some of these pension fund sites to demonstrate the visible accomplishments of your Administration. Two model pension fund projects, financed by the AFL-CIO Housing Investment Trust, are currently under construction:

- Market Heights Apartments in Bernal Heights -- This will be a 46-unit apartment complex located in the Bernal Heights neighborhood in San Francisco. In a city that has one of the most expensive rental markets in the country, the development will provide needed affordable housing for 24 working families (with incomes of $28,800-$34,560) and for 22 low-income families receiving federal rental assistance.

- Lowell Square in Boston -- Lowell Square Apartments, located in a prime residential and commercial development area in the City's West End, will be a mixed-income, 183-unit complex providing affordable homes for working and middle-class families and low-income families receiving federal rental assistance.