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Housing - Low Income

Housing Credit

housing - low income housing credit

Chicago Tribune

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22 Section 1

Sunday, February 15, 1998

to: Joe - just as you requested
Rich

Boost the housing tax credit

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

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

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

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

Other government subsidies, such as low-interest

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

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

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

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

PAUL / CYNTHIA LANDREA:
I TOLD MY CHICAGO FRIENDS THEY
BETTER HELP GET W A GOOD
EDITORIAL IN THE VERY CONSERVATIVE
CHICAGO TRIBUNE. W/ OR WITHOUT
THEIR HELP - WHERE IT IS.
CC: BRUCE / EK
Joe

January 18, 1998

Lifeline for Low-Cost Housing

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

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

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

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

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

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

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**PRESIDENT CLINTON AND VICE PRESIDENT GORE:
STRENGTHENING COMMUNITIES FOR AMERICA'S FAMILIES**

January 13, 1998

"We now have two-thirds of the American people in their own homes for the first time in the history of the country, and we want to do better and we can... One of the things that has helped achieve this level of housing is the low-income housing tax credit. It gets people to invest for a tax credit to make housing more affordable and more available than it would otherwise be."

President Bill Clinton
December 10, 1997

Today, Vice-President Gore announces that the Administration's FY99 budget includes a major expansion of the Low-Income Housing Tax Credit to help spur private-sector development of more affordable rental housing for low-income Americans. The President's budget proposal will ask Congress to approve a 40% increase in the value of the tax credit, helping finance the development of an additional 150,000 - 180,000 units over the next five years.

EMPOWERING COMMUNITIES AND EXPANDING AFFORDABLE HOUSING. President Clinton and Vice President Gore's proposal to expand the Low-Income Housing Tax Credit (LIHTC) builds on their successful work 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. The LIHTC:

- **Expands affordable housing.** Estimates suggest that the LIHTC currently helps develop 75,000-90,000 affordable housing units each year. The proposed increase in LIHTC's cap will mean an additional 150,000-180,000 quality rental housing units for low-income American families during the next five years.
- **Provides new opportunity to low-income Americans.** An estimated 5 million American families live in inadequate housing. Expanding the LIHTC helps address the housing needs of America's neediest families by helping create more low-income housing and lowering the cost of rent.
- **Invests in America's communities.** This proposal -- costing \$1.6 billion over five years and fully funded in the President's FY99 budget -- will help start an economic cycle providing new hope and opportunity for millions of Americans in communities across the nation.

MAKING AFFORDABLE HOUSING A REALITY FOR ALL AMERICANS. The Clinton Administration has helped increase the homeownership rate to an *all-time high* of 66 percent. As a result, 67.6 million Americans own their homes. These gains are broadly distributed among minorities, women-owned households and families with less than median income. The President is also working to make housing affordable to all Americans. This proposal builds on the success of the President's other policies to make housing affordable and accessible, including:

- **HOME Investments Partnership Program.** To date, the Administration has provided almost 310,000 families with housing assistance through the HOME program. Since 1993, the funding for the HOME program has increased by 50% --to \$1.5 billion in FY98.
- **Homeless Assistance.** Funding for homeless assistance has increased from \$571 million in 1993 to \$823 million today. The President and Vice-President's next budget will include a 40-percent increase in homeless assistance, bringing the funding level to \$1.15 billion.

Henning - low income
housing credit



● Paul J. Weinstein Jr.

12/03/97 12:49:24 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc: Elena Kagan/OPD/EOP, Jose Cerda III/OPD/EOP

Subject: Update on Low-Income Housing Tax Credit

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on 12/03/97 12:48 PM -----



Jonathan Orszag

12/03/97 12:32:00 PM

Record Type: Record

To:

cc: Paul J. Weinstein Jr.

Subject: Update on Low-Income Housing Tax Credit

Message Creation Date was at 3-DEC-1997 12:32:00

Paul Weinstein and I have been working to get an expansion of the low-income housing tax credit back in play for the budget. And it seems as though we've been somewhat successful. Treasury is working on the options and we think we may have found the funding for it.

Here's the deal on the funding for the expanded credit:

FHA reforms we included in last year's budget -- specifically, lifting the loan limit -- raise \$220 million per year or \$1.1 billion over five years. These savings are on the mandatory side.

OMB needs \$150 million per year of this money to pay for the mandatory EZ/EC program.

The other \$70 million per year -- \$350 million over five years -- could be used for the low-income housing credit expansion.

Here's the deal on the credit proposal:

The arguement for the expansion is essentially as follows: the cost to build low-income housing has increased over the last four years, but the program has not grown with the cost. Four years ago, the number of requests for the LIHTC versus the number of allocations was 2 to 1. Today, this ratio is 3 to 1.

Some form of a low-income housing credit expansion will probably happen this year. Senator D'Amato has a bill to do this -- costing \$1.5 to \$2.0 billion over five years. (It raises the credit from \$1.25 to \$1.75 in one step and then locks the credit level into the rate of inflation.) As you are probably aware, LISC is lobbying hard for this increase.

As you know, the Administration is seen as the champion of the LIHTC because we permanently extended in 1993. If Congress increases it this year, without a push from us, we could lose ownership of this proposal. Therefore, Paul and I believe it is important for us to have some kind of expansion of the LIHTC -- even if the expansion is small. Karl Scholz generally agrees with this assessment of the landscape.

The cost of a LIHTC expansion is very sensitive to the timing and size of the expansion. We believe it will be possible for us to have a proposal that achieves the same goals of the D'Amato bill, but does it in a much less costly manner (hopefully in the \$350 million over five years range). For example, if the credit expanded by \$.10 each year -- from \$1.25 this year to \$1.35 next year, etc. -- up to \$1.75 in 2003. Treasury should be getting back to us either late today or early tomorrow about these options.

Paul and I will continue to work with Deich, Minarik, Scholz, Barr, and HUD to get these options refined and into a memo that can be sent to the President on Friday night.

Housing - low income housing
credit



● Paul J. Weinstein Jr.

12/01/97 10:11:52 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc:

Subject: Re: Low income Housing Tax Credit

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on 12/01/97 10:11 AM -----

Joseph J. Minarik


11/25/97 05:35:50 PM

Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP

cc: Jose Cerda III/OPD/EOP, eleanor s. parker/who/eop

bcc:

Subject: Re: Low income Housing Tax Credit 

Thanks for the heads up. As you know, paygo offsets are hard to come by; but we have been out front on this, and it should get a hearing.

Paul J. Weinstein Jr. 11/25/97 03:16:02 PM



● Paul J. Weinstein Jr.

11/25/97 03:16:02 PM

Record Type: Record

To: Joseph J. Minarik/OMB/EOP@EOP

cc: Jose Cerda III/OPD/EOP, Eleanor S. Parker/WHO/EOP@EOP

Subject: Low income Housing Tax Credit

I wanted to let you know of our strong interest in looking at raising the cap on the Low-Income Housing Tax Credit (LIHTC). As you may know, because of inflation, the value of the LIHTC has declined dramatically over the last ten years. In addition, according to every analysis of the problem, this nation faces a very serious shortage of safe, decent affordable housing and the 90,000 to 100,000 units of Housing Credit units built each year barely make up for the amount of affordable housing inventory that is lost each year to abandonment, destruction, and conversion to market rate housing.

The President made ensuring that the LIHTC became a permanent tax credit a major piece of his economic development platform in 1992. We were successful in that effort in 1993. We now want to expand the Credit along with increasing the number of incremental housing vouchers and improving enforcement of the Fair Lending and Fair Housing laws. Treasury is currently studying the LIHTC and we hope to have a proposal in December. After that , we would like for the President to announcement a major housing initiative, that would be tied to welfare reform and the race initiative in his State of the Union.