COMMUNITIES & BANKING

Published Quarterly by the Public and Community Affairs Department of the Federal Reserve Bank of Boston Vol. 3, No. 3 1992

# Affordable Rental Housing: Rebounding from a Decade in Decline

To own one's own home may be the quintessential "American Dream," but for many lower-income people, homeownership is simply not possible. Their version of the American Dream is a decent and affordable apartment. Yet in the past several years, the stock of affordable rental housing has plummeted to an all-time low. According to *The State of the Nation's Housing 1991*, produced by the Joint Center for Housing Studies at Harvard University, this decline can be explained by three factors.

First is the fallout from the economic expansion of the 1980s, which was driven in large part by the real estate industry. The real estate boom adversely affected the volume of low-income rental housing, as developers and owners targeted their efforts at the high end of the market. From the mid to late 1980s, low-rent units in the Northeast were upgraded to attract higher-income households at a rate of 41,000 per year. And, much of the rental housing built during this time was affordable only to higher-income households. The resulting high-end market glut was followed by a sharp drop in multifamily housing starts. The combination of excess stock and limited new construction only served to reduce high-end rents and increase pressure on the low end.

Second, changes to the federal tax code in 1986 had a significant negative effect on the development of rental housing. Despite the creation of the Low Income Housing Tax Credit program, (described on page 5), the net effect of the Tax Reform Act of 1986 was to substantially eliminate the tax benefits of investment in rental housing.

Third, changes in the banking industry have been a disincentive to multifamily lending. In response to the savings and loan crisis, Congress passed the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, creating guidelines to ensure less risky lending practices in the future. New risk-based capital requirements, which determine the level of capital a bank must maintain against different types of assets, reflect the judgment that multifamily mortgage loans are riskier than residential (one to four family) mortgage loans. In most cases, financial institutions are required to hold twice as much capital for every dollar of multifamily loans they have in their portfolios than they are for residential mortgage loans.

The problems faced by developers of multifamily housing have been magnified by the substantial reduction in federal government mortgage and insurance programs. Furthermore, the lack of a strong secondary market for multifamily housing loans prevents banks and others from selling many of their loans to investors through entities such as Freddie Mac and Fannie Mae.

Yet amid the gloom there is hope. First, standardization within the multifamily mortgage market and establishment of an effective secondary market have been gaining broad support. Although the nature of multifamily projects will not permit the same standardized and centralized procedures that exist in the residential mortgage market, the multifamily mortgage market is more fragmented than it needs to be.

Second, the private sector is becoming more innovative, more flexible, and more comfortable with multifamily finance. Although few banks today offer fixed-rate, twenty-year mortgages on multifamily housing, some lenders are working with other private and

Continued on page 2

CONTINUED FROM PAGE 1 AFFORDABLE RENTAL HOUSING

public entities to provide critical long-term financing. Initiatives such as the LIMAC/Freddie Mac program, described on page 6, demonstrate how foundations and socially conscious investors can work with banks to recycle existing multifamily mortgages through the secondary market and back into the community.

Third, the public sector has made strides in supporting the rehabilitation and new construction of multifamily rental projects. The HOME program, described in the previous issue of *Communities & Banking* and on page 4 of this issue, can be used for everything from permanent mortgage financing to rental assistance. State financing agencies are redesigning their programs to take advantage of the depressed real estate market, often acting as a bridge between nonprofit developers and lenders who are looking to sell foreclosed properties. On page 7, a relatively new type of subsidy program is described. Housing trust funds, as they are collectively known, provide permanent financing under criteria similar to existing housing finance agency programs. The advantage of housing trust funds lies in the fact that they are funded through a designated revenue source, which eliminates dependence on yearly budgetary appropriations.

Finally, The Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 directs the federal banking regulatory agencies to amend their risk-based capital guidelines so that the risk weight given to certain multifamily housing loans, and to the securities backed by such loans, is equal to that for residential mortgage loans.

All of these developments signal a new understanding among lenders, regulators, and government agencies of the importance of creating a strong market for multifamily mortgages, particularly one that serves lower-income people.**CB**

# AFFORDABLE HOUSING BY NONPROFITS: AN OVERVIEW

*RUSSELL TANNER, THE COMMUNITY BUILDERS*

Nonprofit organizations are now the major developers of publicly assisted affordable housing in Massachusetts and much of New England, succeeding in a business once dominated by large private development companies. The Massachusetts Association of Community Development Corporations found that, between January 1990 and June 1992, more than 60 percent of assisted housing completed in the state was built by community development corporations. Even in a severe recession, nonprofit developers have persevered and often thrived.

Financing for affordable rental housing developed by nonprofit groups has changed, however. State assistance programs have been greatly cut back, and federal funding remains scarce. Weaker housing markets and weakened banks have made private financing harder to attract and more conservatively underwritten when available. Yet private investment and lending remain a critical component of most nonprofit housing projects.

## Common Ingredients

No single rulebook exists for assisted housing today. Developers struggle to keep up with the changing array of programs, and typically use several programs to meet the financing needs of their projects. The elements common to most projects are debt financing, through conventional private lenders or public agencies; gap financing, usually "soft" debt or grants from a public entity; and private equity investment, frequently through use of the Low Income Housing Tax Credit. The Salem Point Cooperative, highlighted in the box on page 4, exemplifies this financial structure.

### *Debt Financing*

As the Salem example illustrates, debt is no longer the major source of financing, as it once was. Until recently, various federal and state mortgage programs allowed debt financing to support large projects almost entirely. The 1990s have seen a reduction in the level of debt in affordable rental projects. This reduction is due both to the cutback in below-market government mortgage lending and declining rents, affecting the amount of debt a project can support. Today, debt often covers only 20 to 30 percent of development costs. By comparison, debt accounted for 50 to 70 percent of financing for most projects as recently as 1989.

Despite the diminished role of debt in project financing, banks are increasingly asked to provide mortgage loans for nonprofit developments. For developers seeking loans under $2 million, banks are an attractive alternative to state housing finance agencies (traditionally the major source of financing for larger multifamily projects) because of the agencies' high transaction costs associated with bond issuance and underwriting expenses.

In many cases banks are only willing to make short-term or medium-term loans with balloon payments, raising concerns about the long-term stability and ownership of these properties. If rents must rise steeply at a later date to allow refinancing, then the affordable housing resource is lost. Banks can directly or indirectly provide permanent mortgage financing, however, in the following ways:

- The Federal Home Loan Bank has several programs that provide low-cost funding for longer-term loans. Members of the Federal Home Loan

CONTINUED ON PAGE 4

# EXPANDING THE SECONDARY MARKET

*BETH MCMURTRIE, FEDERAL RESERVE BANK OF BOSTON*

Developers of multifamily rental properties find it difficult to secure long-term, fixed-rate financing. Federal and state programs are in scarce supply, and most private lenders are unwilling to offer terms longer than five to seven years. This hesitancy on the part of lenders to provide long-term mortgage loans on multifamily properties is partly due to the lack of a large-scale secondary mortgage market. Ninety-one percent of all multifamily mortgage loans originated by financial institutions are held in portfolio and cannot be recycled into future community development projects.

The secondary market for multifamily mortgages has always been relatively small. In 1989, only one-third of all multifamily mortgage originations were sold on the secondary market, compared to three-fourths of all single family mortgage originations. During the 1980s the Federal Home Loan Mortgage Corporation (Freddie Mac) was the most active purchaser of multifamily loans. However, a large number of those loans purchased went into default. High losses caused Freddie Mac to pull almost entirely out of the market. The Federal National Mortgage Association (Fannie Mae), the other major purchaser of housing loans, has also reduced its multifamily purchase program. In addition, the Federal Housing Administration (FHA), the only major insurer of multifamily mortgages, has effectively left the market because of high losses. Yet industry experts have noted that the losses experienced by these agencies have as much to do with regional economic conditions, poor program design, and monitoring problems as they have to do with the inherent risks of multifamily mortgage lending.

One of the major impediments to the development of a large-scale secondary market for multifamily mortgages is the complex financial structure of rental housing projects. A typical project receives its funds from several sources, which provide equity, debt, and "gap" financing (see article, page 2, for a more detailed discussion). Each of these categories encompasses a range of financial instruments with different rates, terms, and conditions. For example, a second mortgage from a state financing agency could be structured as a standard below-market rate loan requiring regular mortgage payments or it could be structured as a very "soft" second mortgage, in which the loan is forgiven as long as the property continues to provide affordable housing.

Given the complexity of multifamily housing finance, it is doubtful that multifamily lending will ever approach the level of standardization that exists for owner-occupied housing. This means, in effect, that workable secondary market guidelines must be sophisticated enough to accurately reflect the risks of multifamily lending, yet flexible enough to be adapted to local market conditions. Furthermore, any secondary market program must be managed by experienced professionals with a detailed knowledge of multifamily finance. Finally, because of the notable lack of data on multifamily lending, it is difficult to map out specific guidelines for lenders to follow and for the secondary market to implement. Until more comprehensive data are collected, analyzed, and circulated, standardization of the mortgage origination process – and hence the development of a large secondary market – will be severely impeded.

Lenders, housing developers, corporate investors, and policy-makers have been wrestling with these problems for more than a decade. Within the past two years, however, they have

CONTINUED ON PAGE 6

Free subscriptions and additional copies of *Communities & Banking* are available upon request to the Public and Community Affairs Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076, or call Sheryl Snowden at (617) 973-3097.



Financial institutions, community-based organizations and other organizations involved in community development that have interesting projects, programs or ideas that they would like to have mentioned in *Communities & Banking* should contact:

Elizabeth McMurtrie, Editor
*Communities & Banking*
Public and Community Affairs
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, MA 02106-2076

## PUBLICATIONS

The Public and Community Affairs Department offers a variety of publications and audio visual materials on money, banking, consumer credit, and general economic education. For a free catalogue, write to Publications, Public and Community Affairs, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076.

Bank System have access to fixed-rate funds for housing through the Community Investment Program, and can apply for subsidized funds and grants through the Affordable Housing Program.

- Some banks have formed loan consortiums as a way of sharing funding and risks for permanent mortgage loans on multifamily properties. Local banks in Cambridge, Lowell, and Worcester have made consortium loans. And the statewide Massachusetts Housing Investment Corporation now provides permanent financing in addition to construction loans.

- Banks can purchase state housing finance agency bonds, which are backed by a specific project but also guaranteed by the agency. The result is lower costs and fees to the borrower.

## 77-UNIT SALEM POINT COOPERATIVE
### Salem Harbor CDC, Developer

| | |
|---|---|
| **Debt** | |
| • Mass. Government Land Bank | $1,600,000 |
| **Gap Financing** | |
| • City and state funds (grants and loans) | 1,400,000 |
| • Federal Home Loan Bank Affordable Housing Program funds via Warren Five Cents Savings Bank | 650,000 |
| **Equity** | |
| • National Equity Fund through Low Income Housing Tax Credits | 1,700,000 |
| **Total Development Costs** | **$5,350,000** |

### *Gap Financing*

Public funds – and some private grants – are essential to most nonprofit housing deals and are crucial to securing other elements of financing. These funds are frequently referred to as gap financing because they fill the gap between what the developer needs and what can be secured from conventional debt and equity sources. Gap financing also provides a financial cushion for private investment and represents a broader commitment to the success of the project. These funds can be structured as a soft second loan (a mortgage loan with flexible repayment terms that is subordinate to the first mortgage), or can be used as a loan guarantee or as operating reserves, to enhance the project's creditworthiness.

Investment by local governments or foundations, and sometimes by the U.S. Department of Housing and Urban Development or the state, is important. It helps convince private investors and lenders that the nonprofit organization has sufficient experience and standing in the community to complete and manage the project, and to ensure its long-term operation.

While state housing programs have nearly vanished in recent years, a few other public and private subsidy programs have emerged, including the already mentioned Affordable Housing Program offered by the Federal Home Loan Bank, and small grant and loan programs from the Local Initiatives Support Corporation and Neighborhood Housing Services.

On a much larger scale, the new HOME program from HUD has finally emerged from the regulatory maze. The New England states will soon have over $79 million to spend on affordable housing. HOME funds will be available for a wide range of activities, including rental housing rehabilitation, tenant assistance, and first-time homeowner-ship programs. A portion of the funds is allocated to community-based nonprofit organizations, which are expected to be major users of HOME funds in most areas of New England.

### *Private Equity Investment*

Since 1987, the principal federal subsidy to rental housing has been the Low Income Housing Tax Credit (LIHTC), through which private investors purchase an ownership interest in low-income rental developments (see article, page 5). The LIHTC can provide from 30 to 70 percent of a project's development costs by enabling nonprofit developers to sell their tax credits to limited partnership investors. The national market for investors has turned mainly toward banks, large national equity pools, and a few other corporations. Locally, several of the major commercial banks are active in purchasing tax credit equity. Banks and other corporate investors have found the LIHTC a good way to invest in their communities while conforming to high standards of investment risk and return. **CB**

***Russell Tanner*** *is Development Consultant with The Community Builders in Boston.*

# Low Income Housing Tax Credits

*Beth McMurtrie, Federal Reserve Bank of Boston*

Since passing the Tax Reform Act of 1986, the federal government's primary vehicle for encouraging investment in affordable rental housing has been Low Income Housing Tax Credits. Under this program, investments in affordable rental properties have proven both profitable for investors and beneficial for lower-income communities.

Before the Tax Reform Act of 1986, investors in rental housing received tax benefits through "passive loss" deductions and other features of the federal income tax code. The Tax Reform Act wiped out nearly all of these incentives and replaced them with the Low Income Housing Tax Credit. Although this program, funded at $300 million annually, is widely supported by housing advocates, public officials, and private investors, Congress has not yet passed a permanent extension of the tax credits. The program lapsed in June 1992, but given strong support in Congress, it is likely that it will be renewed. In that event, it is important to understand how the Low Income Housing Tax Credit works and how bank holding companies and other financial institutions can take advantage of the program.

## How It Works

The Low Income Housing Tax Credit is a dollar-for-dollar reduction of federal income tax liability for owners of new low-income rental housing projects. Credits are allocated to projects by state agencies, which receive annual per capita allocations. The state agencies are responsible for reviewing applications submitted by developers to determine if a project qualifies for the credit. A project is considered only if no fewer than 20 percent of the units are set aside for households earning no more than 50 percent of area median income, or if no fewer than 40 percent of the units are set aside for households earning no more than 60 percent of area median income.

Once this "20-50/40-60" test is passed, and the agency approves a project's overall financial structure, the state allocates credit to the project from its annual credit cap. As long as the project complies with Section 42 of the Internal Revenue Code, it will then generate a 10-year credit for the owner of the property. Projects that utilize the Low Income Housing Tax Credit are required to maintain the same level of affordability for a 30-year period.

The amount of the annual credit, as determined by the Internal Revenue Service, is locked into place when the project begins operating. For projects that involve new construction or substantial rehabilitation, the annual credit equals approximately 9 percent of development costs. For projects that involve only moderate rehabilitation or that receive subsidized financing from certain other federal programs, the annual credit equals approximately 4 percent of development costs. Building acquisition costs also fall into the 4 percent category. (Certain costs, such as land, are excluded from these calculations and only low-income units are eligible for the credit.) A brief example shows that a newly constructed building which qualifies for a 9 percent credit would generate $146,520 in tax credits annually if total qualified development costs equal $1,628,000.

## Ownership Structure

Low Income Housing Tax Credits are not of direct value to a nonprofit housing development corporation, which is exempt from federal income tax. Rather, it must establish an ownership structure, known as a limited partnership, through which it exchanges its tax credit for an equity investment in the project. This partnership can be structured as a one-on-one arrange-

Continued on page 8

## Who Can Invest in Community Development Projects?

Under the Bank Holding Company Act and Regulation Y, bank holding companies are able, with the prior approval of the Federal Reserve System, to make equity and debt investments in corporations or projects designed primarily to promote community welfare, including housing for low- and moderate-income families. In addition to limited partnerships, bank holding companies are allowed to invest in equity pools, joint ventures, and community development corporations. Furthermore, they are able to create and capitalize their own community development corporation or capitalize a consortium CDC, with certain restrictions. The other federal regulatory agencies also allow certain types of equity investments in community development activities, including participation in the Low Income Housing Tax Credit program.

To determine if your institution is allowed to make investments in low-income housing or other community development projects, and in what capacity, contact your state banking commission or one of the following federal agencies:

**Federal Reserve Bank of Boston**
- *Jonathan Fine*, Banking Structure Department (bank holding companies) (617) 973-3339
- *Allen DeYoung*, Bank Examination Department (state-chartered member banks), (617) 973-3148

**Federal Deposit Insurance Corporation**
- *Shirley Parish*, Office of Consumer Affairs (617) 455-0249

**Office of the Comptroller of the Currency**
- *Analysis Division* (212) 790-4055

**Office of Thrift Supervision**
- *Tom Barnes*, Administration (617) 457-1907

*For more information on state and national equity pools, contact Beth McMurtrie of the Public and Community Affairs Department at (617) 973-3289.*

made significant progress toward improving multifamily mortgage lenders' access to the capital markets. Congress recently approved a housing reauthorization bill that, among other things, sets affordable housing goals for Fannie Mae and Freddie Mac. During the first two years, the target is set at 30 percent of each corporation's business volume. This requirement has provided the incentive for both Fannie Mae and Freddie Mac to develop innovative programs and partnerships with others involved in the market. (See adjacent article.)

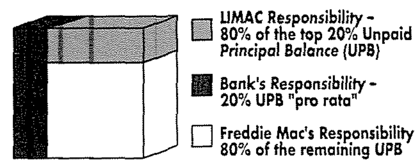
The housing reauthorization bill also calls for a demonstration FHA reinsurance program, in which FHA would share the risk on insured multifamily mortgages with Fannie Mae, Freddie Mac, lenders, state housing finance agencies, and the Federal Housing Finance Board. The same bill also authorizes the establishment of a Multifamily Housing Task Force to gather and disseminate data on multifamily mortgages. This data could help improve access to the capital markets by enabling lenders and others to study the existing pool of multifamily mortgage loans.**CB**

**From the Neighborhoods to the Capital Markets** is a recent report from the National Task Force on Financing Affordable Housing. The report, which also contains a study by the Joint Center for Housing Studies at Harvard University on accessing capital markets, calls for an overhaul of the nation's system of financing rental housing. Recommendations are aimed at creating a secondary market for affordable multifamily mortgages that is efficient and liquid, much like that for single-family mortgages. For a free copy, write to Mr. J. Charles Bruse, Allstate Insurance Company, 633 Pennsylvania Avenue, N.W., Washington, D.C. 20004.

# Secondary Mortgage Market for Multifamily Housing Loans Created in Massachusetts

Freddie Mac and the Local Initiatives Managed Assets Corporation (LIMAC) have created a new secondary mortgage market in Massachusetts and other targeted areas. LIMAC is a nonprofit organization created by the Local Initiatives Support Corporation (LISC) to establish a national secondary market for low-income housing and community development loans. Together with Freddie Mac, LIMAC has agreed to purchase and convert into mortgage-backed securities, known as participation certificates, $100 million of multifamily housing loans originated by commercial lenders and targeted to low-income households and neighborhoods. The risk-sharing structure provides a way for Freddie Mac to consider loans it could not purchase under its conventional multifamily program.

**RISK SHARING**




**The investor is covered 100% by the Freddie Mac guarantee**

Once mortgages are converted into participation certificates and purchased by investors, the money can be recycled back into new multifamily mortgage loans. The Massachusetts State Teachers' and Employees' Retirement System trust has committed to purchasing $50 million in participation certificates over a three-year period.

Individual banks have not yet been targeted for participation in the program as sellers of multifamily mortgages, although the Massachusetts Housing Investment Corporation, a state-wide banking consortium, has agreed to sell loans to LIMAC under its new permanent mortgage loan pool.

Lenders must be approved for participation in the program by LIMAC and Freddie Mac, whose criteria include community development lending experience, loan portfolio performance, overall financial strength, and servicing capability. General underwriting criteria include the following:

- fixed-rate permanent loans only (ARM and balloon loans can be modified for sale under this program, to fully amortizing fixed-rate loans);
- loan-to-value (LTV) ratio of up to 75 percent (with case-by-case waivers up to 80 percent);
- minimum debt coverage ratio (DCR) of 1.1 on the first mortgage;
- subordinate financing permitted and excluded from LTV and DCR calculations if deemed sufficiently soft;
- at least 50 percent of units affordable to households at or below 60 percent of area median income.

Loans are purchased under a risk-sharing arrangement that Freddie Mac and LIMAC hope will promote prudent underwriting and diligent servicing of the loans (see diagram).

To find out more about this program and how Massachusetts mortgage lenders can participate, call :

- *Karen Serieka*, Massachusetts State Treasurer's Office, (617) 367-3900;
- *Dave Redmond*, Freddie Mac, (703) 450-3265; or
- *Merilyn Rovira*, LIMAC, (212) 455-9886.**CB**

# Housing Trust Funds

Beth McMurtrie, Federal Reserve Bank of Boston

Communities in New England continue to struggle with the high costs of developing affordable housing. Falling real estate prices have not, as had been hoped, made feasible the production of affordable housing solely through private financing. Nationwide studies of multifamily rental projects show that from 20 to 50 percent of development costs for a typical multifamily project come from the public sector. This "gap financing," as it is termed, can take a variety of forms, from outright grants to second mortgages. The terms of these public subsidies are often extremely favorable, and frequently are structured so that the debt is forgiven as long the property continues to provide affordable housing.

A relatively new source of gap financing is the housing trust fund. Rather than depend on yearly appropriations by the legislature or state finance agency, housing trust funds receive their money from a dedicated source of revenue, such as real estate transfer taxes. Since their beginnings in the early 1980s these funds, 70 of which are now in existence, have channeled millions of dollars into affordable housing projects across the country. Although their administrative and funding structures vary, housing trust funds have certain common elements:

***Legislative Approval.*** Whether it is a state, city, or county fund, the ability to channel public revenue into an affordable housing fund requires enabling legislation.

***Dedicated Revenue Source.*** A housing trust fund is supported with a stream of revenue from one or more sources. The box lists some examples of revenue sources that have been tapped for this purpose.

***Public Administration.*** The fund is almost always administered by a public agency, although many are overseen by boards on which community interests are represented.

***Low-Income Targeting.*** Housing trust funds, almost by definition, are created to meet needs not being met elsewhere. In other words, they typically target projects that serve low-income and very low-income households. In addition, the funds are usually fairly inexpensive; they are structured either as grants or as very low-interest loans with flexible repayment structures.

### Revenue Sources

**Below are listed some of the revenue sources that have been committed to housing trust funds.**

- Development ordinances, fees, or tax linkage programs
- Inclusionary zoning fees in-lieu
- Preservation ordinance fees in-lieu
- Real estate transfer or excise taxes and fees
- Mortgage transfer tax
- Real estate property tax
- Hotel/motel tax
- Loan repayments from government-funded programs (for example, Urban Development Action Grants)
- Bond proceeds
- Public deposit insurance fund
- Interest from real estate escrow accounts
- Voluntary state income-tax check-off
- Sales tax

**Source:** Housing Trust Fund Project of the Center for Community Change.

## Housing Trust Funds In New England

New England has seven housing trust funds. The oldest is the ***Housing Opportunities for Maine (HOME) Program***, which has been in existence for 10 years. HOME is a statewide fund that works in conjunction with Maine State Housing Authority (MSHA) programs. The fund is administered by the Authority. From 1982 to 1985, HOME was financed by the legislature with a yearly appropriation and thus was not technically a trust fund. Since 1985, however, HOME has been financed with a portion of the revenue accruing to the state from real estate transfer taxes (specifically increased to fund HOME).

HOME is structured to accomplish two purposes: to work in conjunction with other MSHA bond-financed programs by acting as an interest rate subsidy, and to directly finance programs where tax-exempt bonds cannot be used, such as transitional housing. Since 1985, HOME has channelled $36 million dollars into various MSHA programs. In the past two years, $4.5 million in HOME funds went into rental housing projects that had applied to MSHA for subsidy money, helping to reduce permanent mortgage interest rates and thus ensure lower rents for low-income units.

Vermont also has a very active fund, the ***Vermont Housing and Conservation Trust Fund***, with the dual purposes, as its name indicates, of creating affordable housing and conserving land. Since 1987, $55 million in state bond proceeds and real estate transfer taxes have been channelled into qualifying projects across the state. Approximately 60 percent of this money has gone into housing. Through grants and very low interest deferred loans, VHCTF has helped develop between 250 and 300 affordable housing projects in Vermont. Each unit financed carries a covenant that ensures its affordability. In fiscal year 1992 the Fund received $5 million in bond proceeds and $1.45 million in property transfer taxes.

Continued on page 10

ment with a corporate investor, such as a bank holding company, or through a syndication, in which case an intermediary acts as a conduit for a pool of investors.

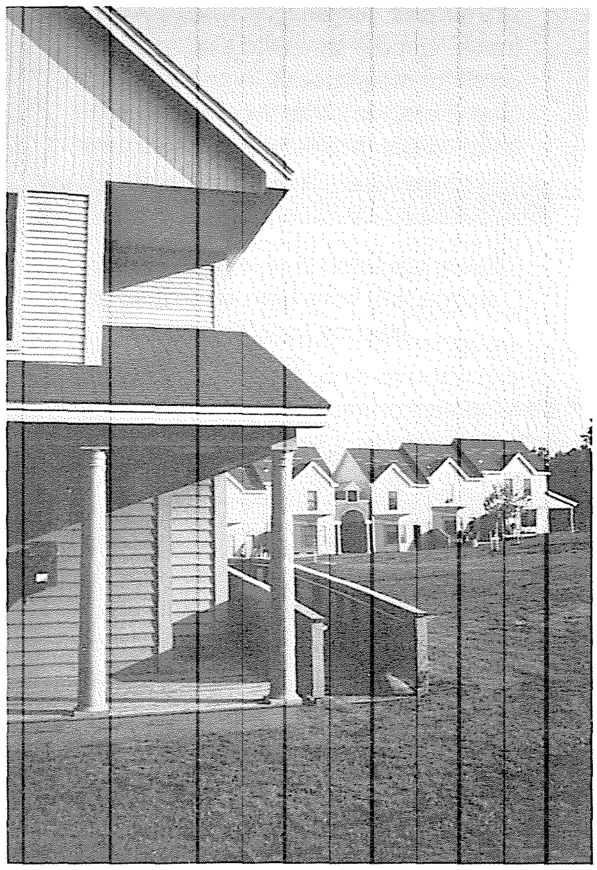
Determining the price that investors are willing to pay for tax credits is a complex process. The rule of thumb is that the amount of equity an investor will contribute to the project can be generally determined by multiplying the amount of the annual credit by 10 (for the number of years the credit is received) and then by the market price, which currently stands around $0.45 on the dollar (investors pay $0.45 for each dollar's worth of tax credit). The market price reflects the present discounted value of the 10 year stream of tax credits that flow to the investor. It takes into account a number of factors, including the riskiness of the project, the costs of syndication, and the internal rate of return demanded by the investor. In the above example, the project would generate $659,340 of equity.

Investments in Low Income Housing Tax Credit projects have proven to be profitable on the whole: since 1986 the internal rate of return has averaged around 18 percent nationally. It is important to note that the return that accrues to the investor comes from the federal government in the form of foregone tax revenue.

## Equity Pools

Existing national syndicates, or equity pools, are managed by investment companies, the National Equity Fund (run by the Local Initiatives Support Corporation), or the Enterprise Foundation. There are also regional and state equity pools. One advantage of an equity pool is minimal involvement on the part of the investor. The pool handles the legal and managerial aspects of the limited partnership. Furthermore, the advantages of a *local* equity pool can include:

- a higher return to the investor due to lower costs associated with a simpler syndication structure;
- more control over the process as, in many instances, investors serve on an advisory committee; and
- the ability to invest in projects in the local community.



Pine Meadows, Middlebury, Vermont. This 30 unit mixed-income rental housing project is one of Housing Vermont's projects

Statewide equity pools in New England include the Rhode Island Housing Equity Pool, managed by the Rhode Island Housing and Mortgage Finance Corporation; the independently run Affordable Housing Fund for Connecticut; and the Massachusetts Housing Investment Corporation, a consortium of lenders that funds both debt and equity pools for low-income housing. Perhaps the most active equity pool is Housing Vermont, through which 11 Vermont banks and Fannie Mae have invested $13 million in Low Income Housing Tax Credit projects across the state since 1988, increasing the affordable housing stock by 1,100 units. Vice President Kathy Beyer Kehoe attributes their success to three main factors.

First, she credits the commitment of Vermont's banks to invest in affordable housing. Housing Vermont offers a 12 percent rate of return to its investors, compared to an average 18 percent return in the national markets. The lower return allows Housing Vermont to channel more equity into projects – about 70 cents of equity for each tax dollar credit. Because the amount of debt needed is reduced, projects can be supported by rents that are affordable to very low-income households.

Second, the risk of noncompliance and recapture of credit is greatly reduced by the close monitoring of each project by Housing Vermont. In fact, Housing Vermont, unlike most equity pool managers, is a general partner in every project with direct fiduciary responsibility to the investing banks. Each partnership agreement provides Housing Vermont with the operational authority to replace property managers, approve annual operating budgets, and ensure compliance with the Low Income Housing Tax Credit. This hands-on approach by a professionally-staffed nonprofit has resulted in efficient use of the tax credit in Vermont.

The third reason for success is Vermont's highly coordinated approach to housing development. Housing Vermont secures projects and manages bank equity investments; local nonprofits build and manage housing; Vermont Housing Finance Agency provides permanent mortgage financing; and Vermont Housing and Conservation Trust Fund provides gap financing. **CB**

*For further reading on Low Income Housing Tax Credits see page 12*

# Lead Poisoning: An Epidemic in our Communities and in our Housing

*Rebecca Goldberg*
*Massachusetts Association of Community Development Corporations*

Every day thousands of children run the risk of lead poisoning because lead-based paint is in their homes. Exposure to lead can cause neurobehavioral problems and learning disabilities. It is especially devastating to the developing brain and nervous system of fetuses and children, and is linked to kidney disease and hypertension in adults. Poisoning can occur not only when chipping and peeling paint is ingested but also when lead dust is inhaled.

The magnitude of this epidemic should not be underestimated. Nationwide statistics show that between three and four million children have already been poisoned. The highest concentration of lead poisonings is in low-income and urban neighborhoods where the housing stock has deteriorated.

The biggest impediment to developing comprehensive strategies to eradicate lead poisoning is the lack of affordable resources for lead abatement. Many property owners are unable to pay for lead paint abatement and most state governments supply few funds for this purpose. Although the Massachusetts Department of Revenue has stated that the average cost of lead abatement of rental properties in 1990 was $3,500 per unit, it can actually run as high as $10,000.

## Who Is Liable?

Massachusetts is one of the few states that has a law mandating standards for lead abatement and determining liability in the event of poisoning. Some property owners, as well as representatives of the real estate, banking, and insurance industries, oppose these liability standards, which they feel are unreasonable.

Banks are concerned with their potential liability in the event of foreclosure on properties with children under six, in which case they must provide a safe living environment for these children and are held to a strict liability standard. Under this standard, property owners are liable for damages and can be sued in the case of lead poisoning even if they were previously unaware of the existence of lead. Furthermore, an owner can be held responsible for damages even if the property has a certificate of compliance with legal lead paint abatement procedures. Officials representing the banking industry are negotiating with the Massachusetts General Legislature to exempt lenders from this liability for up to a year, allowing them to either address the lead paint hazard or sell the property. Bankers and other property owners are also asking that the law be amended so that they are liable only if they are found to be negligent in dealing with a known lead paint hazard.

The Massachusetts Association of Community Development Corporations (MACDC) brings a unique perspective to this issue. Our constituents are nonprofit developers who have the dual responsibilities of providing affordable housing *and* ensuring the safety of the children who live in that housing. This is a difficult balancing act. We are attempting to craft policies that protect children and also provide reasonable mechanisms that enable property owners to comply with the law. This task is inherently complex, given the hazardous nature of lead paint, the need for strictly regulated removal, and the high cost of such procedures.

Continued on page 10

## Lead Paint Abatement Assistance Programs

### Massachusetts

**Massachusetts Housing Finance Agency "Get the Lead Out" Program** — This program provides income-eligible borrowers with a loan of up to $15,000 for lead abatement in owner-occupied, one- to four-family dwellings. Qualified applicants can receive an interest rate of zero or 5 percent. For borrowers not eligible for these rates, an 8.5 percent loan program is available. For more information call MHFA's Office of Single-Family Programs at (617) 451-2766.

**Massachusetts Housing Partnership Loan Guarantee Fund** — This Fund totals $1 million and will provide a guarantee of up to 50 percent on loans for lead abatement in investor-owned properties with two or more units. The interest rate and general underwriting criteria are determined by the lender. For more information call MHP at (617) 338-7868.

**Tax Credits** — Current Massachusetts law includes a $1,000 tax credit for lead paint abatement done in compliance with the lead law. Proposed legislation would allow for a $2,500 *assignable* tax-credit, which could be purchased by an investor. For more information, call the Department of Revenue at (617) 727-4545.

**Housing Bond Bill** — The Massachusetts General Legislature is considering a general housing bond, $25 million of which would be used for lead paint abatement. The terms of such a program are still undetermined.

### General

**Community Development Block Grants** — Many communities have established low-interest loan and/or grant programs for lead paint abatement using this flexible federal resource. Contact your local community development department to find out if such a program exists in your community.

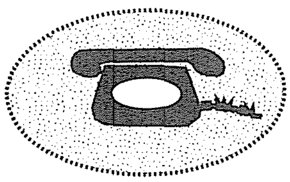
**HUD Office of Lead-Based Paint Removal and Lead Poisoning Prevention** — HUD has a nationwide $50 million lead paint abatement program, with funds available to state and local governments on a competitive basis. Call the Program Management Division at (202) 755-1822 for more information.

CONTINUED FROM PAGE 7 HOUSING TRUST FUNDS

Projects supported by VHCTF include limited equity cooperatives, community land trusts, and the preservation and rehabilitation of at-risk rental housing projects. As an independent agency managed by the Housing and Conservation Board, VHCTF had managed to leverage $13 million in private capital from banks and thrifts as of 1990.

The Vermont Housing and Conservation Fund was used as a model for the new ***Rhode Island Housing and Conservation Trust Fund.*** Although the Rhode Island legislature approved the Fund's creation in 1990, no funding source has yet been approved. The Rhode Island Coalition for Housing and Open Space, which has been the major force behind the creation of the Fund, has worked to place a referendum on the November 1992 ballot asking voters to approve $10 million in general obligation bonds to support the Fund. If the referendum is passed and the bond issuance receives the Governor's approval, the Fund will become active. The Rhode Island Coalition hopes that it will prove to be a flexible, steady source of funds for both affordable housing and conservation projects throughout the state.

On the local level, Boston, Cambridge, Burlington (VT), and Hartford have their own funds. Each is structured quite differently in terms of administration, purpose, and funding source.



To find out more about these programs, contact Beth McMurtrie of the Public and Community Affairs Department at (617) 973-3289. For more information on housing trust funds in general, call Mary E. Brooks of the Housing Trust Fund Project in San Pedro, CA at (310) 833-4249.**CB**

CONTINUED FROM PAGE 9 LEAD POISONING

These negotiations are proceeding within a broader movement to significantly alter the 1987 Massachusetts lead law. A number of changes have been proposed by the Massachusetts Health Care Committee which would provide property owners with some relief from liability and more flexible methods of legally reducing the lead-based paint hazard in housing. The hazard reduction strategies outlined in this bill are solid concepts but must be coupled with enforcement provisions that protect the health of children. In addition, it is necessary to provide localities or the state government with the mechanisms and resources to enforce the lead law.

## Who Will Pay?

Inadequate federal, state, and private resources make it extremely difficult for property owners to comply with current Massachusetts law. Many properties, particularly those affordable to low-income individuals, are not capable of carrying additional debt. Financing mechanisms for lead paint removal must attempt to blend private and public sources of capital and should include a special component for borrowers who are not "bankable" under conventional underwriting criteria. This is especially problematic in Massachusetts because of our depressed real estate market and the political instability of subsidy programs used to develop affordable housing. Owners of multifamily properties face an additional hurdle in that the majority of resources are currently channelled into single-family housing, despite the fact that 75 percent of lead poisoning cases documented by the Massachusetts Department of Public Health's Childhood Lead Poisoning Prevention Program occur in multifamily developments. As a result, MACDC continues to pursue and argue for resources to do lead abatement in low-income multifamily developments owned by nonprofits with few or no financial resources.

In searching for a solution to the economic burden of lead paint removal, we must aggressively research cost-saving techniques for the containment of lead paint and lead dust. The Environmental Protection Agency is currently studying encapsulants, a paint-like polymer which, if perfected, would bond directly to a surface. Many property owners are espousing this new technology as the answer to our lead paint problems. However, many questions still remain, such as the durability of the encapsulant on movable surfaces (windows) and the need for a tracking system for encapsulated lead paint sites, given the possibility of future rehabilitation or demolition of a unit.

Clearly, lead poisoning is a problem of enormous proportions that affects the health of the children in our communities and the available affordable housing stock. In order to develop a successful and comprehensive strategy we must all work together — lenders, developers, community organizers, health care professionals, environmentalists and public officials.**CB**

**Rebecca Goldberg** is the Assistant Director of MACDC and staffs its Lead Paint Committee, which spearheads the Association's activities related to lead paint abatement and lead poisoning prevention. The Committee has been in existence for over two years and has undertaken a variety of initiatives, including a conference, "Lead Paint Abatement: Liabilities and Responsibilities of Property Owners"; work with various industries on legislative strategies relative to the Massachusetts lead law; and work to create financing programs for lead abatement. For more information on these and other initiatives, call MACDC at (617) 523-7002.

# Community Reinvestment: A Hometown Approach

*Paul Williams, Federal Reserve Bank of Boston*

Together, small savings institutions represent a substantial source of potential credit. Individually, however, many are unable to meet the credit needs of moderately-sized community reinvestment projects. The Massachusetts Thrift Fund, a $100 million loan pool, has helped to change this by offering smaller institutions alternative means of extending credit in their communities.

The Thrift Fund draws its resources from Massachusetts savings banks, cooperative banks, and savings and loan associations. It is a quasi-public agency created in 1984 by the state legislature, as part of a compromise agreement to tax thrift institutions based on their incomes rather than on their assets. The purpose of the Fund is to facilitate housing and economic development initiatives throughout the Commonwealth by providing loans, both directly and in partnership with thrifts, to small businesses and companies involved in housing, commercial development, manufacturing, and other public purpose projects.

## CRA Initiative

The Thrift Fund's newest loan program is its Community Reinvestment Access (CRA) Initiative. This $15 million set-aside program brings individual institutions and the Thrift Fund together to jointly finance projects within a lender's local service area. Program funds may be used for mortgages on commercial real estate; acquisition of equipment; working capital; bridge financing; and, when appropriate, construction financing.

Under the CRA Initiative, lenders may participate in extending credits of up to $1 million to local projects. Together institutions and the Fund provide loans, set appropriate terms and rates, and share collateral equally. The participating institution must provide at least 50 percent of the requested loan amount and must also service the loan on behalf of both participants. This Initiative can also assist lenders in finding partners, such as community development organizations and government agencies, with the technical skill and financial resources to help develop projects that meet Community Reinvestment Act requirements.

Since last November, the Thrift Fund has approved four loans under the CRA Initiative, bringing its total commitments through this new program to just under $2 million. The most recent CRA Initiative financing package involved the Thrift Fund and Heritage Cooperative Bank, which together are lending $760,000 to the North Shore Association for Retarded Citizens to expand, renovate, and convert the Thorndike Tavern Building in Beverly to special needs housing. These units will be utilized by the North Shore Association for Retarded Citizens to provide residential housing for retarded adults in the Beverly area.

## Participation Loan Program

The Thrift Fund Participation Loan Program also allows thrift institutions to enter into lending partnerships with the Fund. This program is designed for cases where sponsoring banks are willing to lend but unable to meet the full financing needs of their borrowers. While projects funded through the program are generally larger in scale and need not be located in the lending institution's local area, some community development initiatives have been facilitated through such loans.

One such participation loan was made to Boston Citywide Land Trust with Neworld Bank as the participating institution. The project to rehabilitate 11 rental properties for re-use as a limited equity cooperative received $1.5 million in financing. The result was 70 units of mixed-income housing plus 4 commercial units. Seventy-three percent of the cooperative ownership is to be held by lower-income families.

## Direct Loan Program

The Thrift Fund also offers direct loans through servicing agents such as the Community Development Finance Corporation (CDFC) and the Massachusetts Business Development Corporation (MBDC). So far, the bulk of these direct loans have gone to small businesses and manufacturing firms. A significant number of direct loans, however, have been made to finance single-room occupancy housing, such as the Park Street Lodging House in Dorchester and 300 Shawmut Avenue in Boston's South End, and other affordable housing.

The Fund's loan terms include a 1 percent origination fee and a $500 application deposit. Loans usually cannot exceed 20 years. Interest rates and terms will vary according to the needs of individual projects, but rates may not fall below the Thrift Fund's base rate.

The Thrift Fund, particularly through its CRA Initiative, can greatly assist smaller institutions in meeting the credit needs of their local service areas. Gaining experience through partnership with the Thrift Fund may ultimately lead smaller thrift institutions into relationships with other public/private sponsorship projects, thereby continuing hometown financial support of local community reinvestment.**CB**

For more information on the Thrift Fund's lending programs, call Paul Rupp or Michael Wilson at (617) 227-0404.

# PUBLICATIONS

## Housing

***State Housing Finance Agency Program Catalogue***, National Council of State Housing Agencies (1992). A five volume catalogue listing state housing finance agency programs. Provides detailed information including contact names, phone numbers, program expenditures, and financing terms. Write to NCSHA, 444 N. Capitol Street, N.W., Suite 438, Washington, D.C. 20001. Or call (202) 624-7710. $99.95 members, $160.00 nonmembers.

***Preserving Rural Housing***, The National Task Force on Housing Preservation (1992). This report calls for improvements in Farmers Home Administration's (FmHA) administration of an 1987 law preserving 110,000 FmHA-subsidized apartments built under the section 515 Rural Rental Housing Program. A supplement to the report, "Technical Findings," is also available. Write to Housing Assistance Council, 1025 Vermont Avenue N.W., Suite 606, Washington, D.C. 20005. Or call (202) 842-8600. $5.00 for report, $8.50 for supplement.

* ***The Threat to Housing for the Elderly***, Low-Income Housing Information Service (1986). Testimony before the Senate Special Committee on Aging on low-income housing for the elderly. Includes graphs and charts on housing trends and government policy for the elderly. Write to Low-Income Housing Information Service, 1012 14th Street N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $3.00.

* ***The Widening Gap: Housing Needs of Low Income Families***, Low-Income Housing Information Service (1992). An introduction to the crisis in housing for low-income families using text, graphs and charts. This report is based on the latest American Housing Survey, focusing on households of various incomes levels. Write to Low-Income Housing Information Service, 1012 14th Street N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $5.00 for members, $10.00 for nonmembers.

* ***The Widening Gap: Source Book***, Low-Income Housing Information Service (1992). An examination of the crisis in housing for low-income families. Contains housing statistics and graphs based on income, tenure, race, household size, and other defining characteristics. Write to Low-Income Housing Information Service, 1012 14th Street N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $10.00 for members, $20.00 for nonmembers.

* ***Rebuilding Our Communities: How Churches Can Provide Support and Finance Quality Housing for Low-Income Families***, World Vision (1992). Describes 25 different housing strategies that are easy to start and run. Outlines how to plan, pay for, staff, and operate housing programs. Write to World Vision, 919 West Huntington Drive, Monrovia, CA 91016. Or call (818) 305-7837. $15.50.

* ***Unlocking the Door: Women and Housing,*** National Low-Income Housing Coalition (1990). This report outlines some of the special housing needs of women. Write to Low-Income Housing Information Service, 1012 14th Street N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $5.00.

## Mortgage Lending Discrimination

* ***What Do We Know about Racial Discrimination in Mortgage Markets?*** Consumer Advisory Council of the Board of Governors of the Federal Reserve System (1992). Summarizes evidence regarding racially discriminatory acts in mortgage lending markets. Provides a context within which the banking industry may become more self-aware and proactive in remedying its shortcomings. Write to Sheryl Snowden, Public and Community Affairs Department, Federal Reserve Bank of Boston, Box 2076, Boston MA 02106-2076. Or call (617) 973-3097. Free.

* ***Mortgage Lending in Boston: Interpreting HMDA Data***, Federal Reserve Bank of Boston (1992). This study looks at mortgage application data from minority and white applicants to determine if race plays a role in the lending decision. The findings show that a disparity in denial rates still exists even after controlling for financial, employment, and neighborhood characteristics. Write to Research Library, Federal Reserve Bank of Boston, P.O. Box 2076, Boston MA 02106-2076. Or call (617) 973-3397. Free.

**The National Affordable Housing Act: A Summary**, Low-Income Housing Information Service (1990). A title-by-title summary of the Cranston-Gonzalez National Affordable Housing Act (S566) signed into law November 1990. Write to Low-Income Housing Information Service, 1012 14th Street, N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $10.00.

## Cooperative Housing

* ***Community Sponsorship of Housing Cooperatives***, National Association of Housing Cooperatives and Community Cooperative Development Foundation (1987). Explains what community sponsors can expect from cooperatives and the advantages of housing cooperatives versus rentals and individually owned houses. Describes some successful types of housing cooperatives in the United States and ways to get them started. Write to National Association of Housing Cooperatives, 1614 King Street, Alexandria VA, 22314. Or call (703) 549-5201. $19.00 for members, $23.00 for nonmembers.

***Cooperative Housing: A Handbook for Effective Operations***, Midwest Association of Housing Cooperatives and the Organization for Applied Science in Society (1977). Provides an overview of cooperative housing management, the continuing operation of housing cooperatives, and the co-op's responsibility to its members. Write to National Association of Housing Cooperatives, 1614 King Street, Alexandria VA, 22314. Or call (703) 549-5201. $19.00 for members, $23.00 for nonmembers.

## Community Development

***Banking in the Public Interest: Promoting Community Development with Public Deposits of Cities and States***, Woodstock Institute (1991). Documents the common elements of programs in use, components of success, and problems and limitations in implementing them. Offers specific techniques to develop a linked-deposit program. Write to Woodstock Institute, 407 S. Dearborn, Suite 550, Chicago, IL 61605. Or call (312) 427-8070. $10.00 for nonprofits and government agencies, $20.00 all others.

* ***Community Development Corporation and Investment Program: National Banks Investing in the Future***, Comptroller of the Currency (1992). A 12-minute video exploring community development investment options for national banks that want to assist in small business financing, neighborhood revitalization, and low- and moderate-income housing development. Write to Comptroller of the Currency, Customer and Industry Affairs Division, Lock Box 73150, Chicago, IL 60673-7150. Or call (202) 874-4930. $20.00.

* ***Working Capital for Small Business: Addressing the Need***, National Council for Urban Economic Development (1987). Offers a step-by-step description of how to create a local working capital loan program, including a discussion of the technical issues that must be addressed once the policy decisions have been made. Suggests other development tools to support public-oriented loan programs. Examines a variety of public and private programs designed to provide small businesses with access to capital markets. Write to CUED, 1730 K Street N.W., Suite 915, Washington, D.C. 20006. Or call (202) 223-4735. $15.00 for members, $17.00 for nonmembers.

* ***Minority Enterprise Development***, National Council for Urban Economic Development (1989). Outlines some of the trends and problems in minority enterprise development. Discusses what programs have been developed to address these problems, focusing on business participation and linkages with private financial markets. Write to CUED, 1730 K Street N.W., Suite 915, Washington, D.C. 20006. Or call (202) 223-4735. $15.00 for members, $17.00 for nonmembers.

* **The Metropolis in Black and White: Place Power and Polarization**, Center for Urban Policy Research (1992). Examines employment, income, the underclass, education, housing, health and mortality, political participation, and racial politics in urban America. Write to Center for Urban Policy Research, P.O. Box 489, Piscataway, NJ 08855-0489. Or call (908) 932-3101. $19.95.

* Available for review in the Public and Community Affairs Resource Library.

# CONFERENCES

**November 16-17**
"Multifamily Finance Meeting," National Housing and Rehabilitation Association. Boston, MA. For developers, lenders, nonprofits and others involved in multifamily housing. Workshop topics include low-income housing tax credits, emerging issues under LIHPRHA, and development of elderly housing. For more information, call NH&RA at (202) 328-9171.

**November 16-18**
"In Partnership: Giving Rural America a Voice," Rural Community Assistance Corporation. San Francisco, CA. For rural development and preservation professionals, local community organizers, and local, state and federal officials. Conference sessions will allow participants to discuss topics and policies relating to farm workers' issues, including healthcare, housing, and partnerships for service delivery and financing. For more information, call RCAC at (916) 447-2854.

**November 18-21**
"HOME, Bonds, Credits & All That Jazz," Association of Local Housing Finance Agencies. New Orleans, LA. For public and private participants in local affordable housing finance and development. Program will include sessions on legislative and regulatory issues concerning the low-income tax credit, multifamily and single- family bond workouts, and professional development. For more information, call Bill Neimeyer of ALHFA at (202) 857-1197.

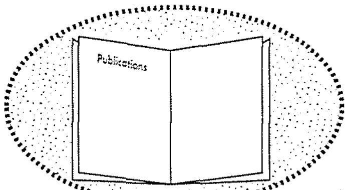
**December 3-4**
"Non-Profit Housing: The Anatomy of Successful Deals," The Enterprise Foundation, Housing and Development Reporter, and Institute for Professional Executive Development. Washington, D.C. For nonprofits, intermediaries, public officials, and lenders. This conference is intended to provide a broad overview of public and private affordable housing programs, legislative and regulatory updates, and case studies of successful projects. Session topics will also cover special needs housing, preservation of existing housing, and joint ventures. For more information, call IPED at (202) 331-9230.

**December 4**
"Native American Economic Development Conference," Federal Reserve Bank of Boston and Federal Reserve Bank of New York. Providence, RI. For representatives of local financial institutions and Native American Tribal Organizations. This conference is meant to enhance the understanding of financing development projects of Tribal Organizations through traditional sources of credit. Sessions topics will include establishing micro-enterprise loan pools, perfecting credit on Indian reservations and utilizing government loan guarantees to support private sector financing. For more information, call Pheamo Witcher of Van Leesten Associates at (401) 273-4190.

**Public and Community Affairs Department**
Federal Reserve Bank of Boston
P.O. Box 2076
Boston, Massachusetts 02106-2076

# Low-Income Housing Tax Credits

## For Further Reading...




* ***Tax Credit User's Resource Guide,*** Low-Income Housing Tax Credit Advisor (1992). An annual directory of services for affordable rental housing developers, managers, consultants, and investors. Write to the Tax Credit Advisor, 1726 18th street N.W., Washington, D.C. 20009. Or call (202) 328-9171. $20.00. Special rates available.

* ***A Developer's Guide to the Low Income Housing Tax Credit***, Herbert F. Stevens and Thomas G. Tracy (1992). This guide explains how developers can build or rehabilitate low-income rental housing projects using the federal tax credit to raise equity capital from syndicators/investors. It outlines which projects qualify for tax credits, how to apply for tax credits, and how to sell the credit to investors. Write to National Council of State Housing Agencies, 444 N. Capitol Street, N.W., Suite 438, Washington, D.C. 20001. Or call (202) 624-7710. $29.95 for members, $44.95 for nonmembers.

* ***State Tax Credit Equity Funds: The New Capital Source for Low Income Rental Housing***, Glenn Petherick (1992). Describes the specialized low-income housing tax credit syndications organized by states and nonprofits to finance low-income rental projects. Provides details on established state equity funds and explains the steps and resources necessary to establish such funds. Write to National Council of State Housing Agencies, 444 N. Capitol Street, N.W., Suite 438, Washington, D.C. 20001. Or call (202) 624-7710. $19.95 for members, $29.95 for nonmembers.

* ***Evaluation of the Low-Income Tax Credit, Final Report***, U.S. Department of Housing and Urban Development (1992). This report is the result of a two-year study of the federal low-income housing tax credit program. It reviews the types of projects developed thus far, the kinds of households being served, the amount of equity raised as a result of the credit, and the cost-effectiveness of the program. Write to HUD User, P.O. Box 6091, Rockville, MD 20850. Or call (800) 245-2691. $4.

* ***State Administration of the Low Income Housing Tax Credit***, Low-Income Housing Information Service (1991). Documents the experiences of 42 state housing finance agencies in administering the low-income housing tax credit in the early stages of implementation. Write to Low-Income Housing Information Service, 1012 14th Street N.W., Suite 1200, Washington, D.C. 20005. Or call (202) 662-1530. $10.00 for members, $20.00 for nonmembers.

***Using the Low-Income Tax Credit to Develop Cooperative Housing***, National Association of Housing Cooperatives (1990). Article describes the low-income housing tax credit and mechanisms typically used to develop housing cooperatives using the tax credit and discusses certain advantages and disadvantages of the cooperative form of housing ownership. Write to National Association of Housing Cooperatives, 1614 King Street, Alexandria VA, 22314. Or call (703) 549-5201. $2.00 for members, $3.00 for nonmembers.

* Available for review in the Public and Community Affairs Resource Library.