

**Press Release and Text of Senator Charles Schumer's Keynote Address to the Annual Awards Luncheon of the New York Housing Conference and National Housing Conference, New York, NY December 7, 2004**

**SCHUMER GIVES MAJOR ADDRESS PROPOSING DOUBLING LOW-INCOME HOUSING TAX CREDITS**

*Schumer – in keynote address to New York Housing Conference and National Housing Conference Annual Awards Luncheon – details better strategy for today than just fighting Section 8 and other housing budget cuts*

*In first public speech as new member of Senate Finance Committee, Schumer proposes: (1) doubling Federal Low Income Housing Tax Credit that creates 125,000 affordable apartments a year, and (2) saving 1 million existing units of affordable housing by fixing Federal tax Catch-22 that blocks aging investors from selling buildings to rehab groups*

*“If there is one thing this Administration has demonstrated over and over is that it's always in the mood for a tax break”*

In a keynote address to New York Housing Conference and National Housing Conference Annual Awards Luncheon – his first public speech as new member of Senate Finance Committee – US Senator Charles E. Schumer today proposed doubling Federal Low Income Housing Tax Credit that creates 125,000 affordable apartments a year, and saving 1 million existing units of affordable housing by fixing Federal tax Catch-22 that blocks aging investors from selling buildings to rehabilitation groups.

The Text of his speech follows:

I want to congratulate the NY Housing Authority- now celebrating its 70th Anniversary. The Housing Authority has made a historic and enduring commitment to the long term viability of affordable housing in this city.

I have often said that few federal programs have helped mothers and fathers keep their families together more than our low income and public housing programs.

And while I always jump to make sure New York gets all the money it can from Washington, frankly I'm not the kind of elected official who believes that all government programs are equally good.

But low income housing programs are some of the best things our government has ever done to help families, mothers, the elderly, and the disabled.

Unfortunately– the current housing climate has reached a crisis point and the good that we are doing just is not enough anymore. Consider that in 2001, 95 million people– a whopping one third of the nation– had housing problems: ranging from high cost burden, to overcrowding, to poor quality, or worse to homelessness.

In the same year, 41 million people, 14.6% of the US population, were without health insurance and 12 % of all people in the U.S. (33.6 million) lacked food security. These are all interrelated.

If rent is too high— you go without health insurance. Maybe you trim down spending on groceries.

65 million Americans with housing problems are low income, and 87% of them face high housing cost burdens.

Here in New York- the numbers are even worse. New York state ranks 47th out of the 50 states in renter affordability.

And this doesn't take into account the millions of New Yorkers hanging on by the skin of their teeth thanks to the system of rent control and rent stabilization in effect here in the City and in the suburban counties of Nassau, Westchester, and Rockland.

Citywide, unregulated rents are 70 percent higher than these regulated rents.

Across the board, housing problems are plaguing low income people who live in both renter and owner households, and by people in all age groups, including children and seniors.

The bottom line is that twice as many people who lack health insurance and three times more people who struggle on a regular basis to put food on their table have housing problems.

But for whatever reason, the housing issue does not attract the same level of public concern and political attention as other programs.

And that's why housing programs have been cutback by more than just about any other program over the last decade.

The Administration has made it abundantly clear that funding for low income housing programs is not a priority:

For instance this year again— they tried to cut the Section 8 Voucher Program by a billion dollars. Section 8 is one of the most successful and free market based programs we have. Section 8 enjoys broad support from mayors, legislators, governors from one end of the country to the other and on both sides of the isle but that hasn't stopped this Administration from trying every trick in the book to raid Section 8 funding. This year for instance – HUD decided to reimburse Section 8 participants for whatever rent cost last year– not even taking inflation into consideration – even though we in Congress made sure HUD had enough money to keep up with rent increases.

You know it's hard enough to make sure this Congress finds the funds for programs New York needs. For the Feds to turn around say they just aren't going to send us our money after all is flat-out wrong.

In May, I introduced a bill to guarantee full funding of the Section 8 vouchers program— and 21 of my fellow Senators co-sponsored the bill. Fortunately, the clamoring of support for the Section 8 program was so loud that the Administration reversed its policy and used current rental rates.

Sure we saved the funding this year— but we know it's a battle we will likely have to wage next year and the year after that if nothing is done to find a sustainable funding solution for the Section 8 program. It's something I and many of my fellow Senators know and something we are very committed to getting done.

And the news for the rest of the housing programs was not rosy either. Right down the line– to make up for the restored Section 8 funding, the Administration and the Congress went after the Community Development Block Grant Program– cutting it by more than \$200 million.

The HOME program was cut by another \$200 million;

Section 202 funding by \$27 million;

and Section 811 by another \$9 million.

And that's just to name a few.

We need a permanent fix for Section 8 funding problems. While it is an expensive program – I am committed to figuring out a way to ensure the vouchers are funded at current rental levels.

Whenever I speak to New Yorkers– there is a common refrain: from gas prices to milk costs to rent hikes, the cost of living in New York keeps going up and up. This isn't just a case of Washington not giving low income families in New York and throughout a hand - they are trying to knock our legs out from under us.

It's a demonstrated pattern and we have worked diligently to try to defend every penny. We have had some successes but it's a yearly battle and I unfortunately have no doubt that when the Administration releases his FY06 budget in the new year– we are going to find ourselves in exactly the same situation– defending every penny of funding for housing programs.

But scraping our pockets for money is not enough. I served on the Housing Subcommittee for my entire 24 years in Congress and I'm tired of just playing defense and preventing things from happening.

If we want to actually get something done to improve the housing market and prospects for millions of low income families we've got to not just be satisfied with a good defense.

What we need right now is a good offense. And as some of you may have heard– I've just been given a seat on the Senate Finance Committee in addition to my current post on the Housing and Banking Committee– I intend to use this position to help fight for housing and particularly new funding for housing for New York and America.

Today I am proposing that we bring this fight to the Administration's own playing field and that we focus on tax incentives rather than new spending to expand the number of affordable housing units. This has two advantages: First tax cuts are far more palatable to this Republican dominated Congress than spending programs are.

Second, tax break programs garner greater support from both the real estate and financial communities and they can give us some of the clout we've been missing when we fight for affordable housing funds.

First, we should focus on the Low Income Housing Tax Credit, one of the most successful programs for providing housing for low income people.

Since its inception with the Tax Reform Act of 1986, the Low income Housing Tax Credit has

helped build and convert 1.6 million apartments with rents affordable to low income families, by providing investors in affordable housing developments with a dollar-for-dollar reduction in their federal tax liability.

Today, the tax credit is responsible for nearly 40% of all multifamily apartment development. Its success and reach have been immeasurable. Each year, the Credit produces more than 130,000 affordable apartments – more than 4,300 in New York in 2003 alone and is the largest low income housing producer – compared to 13,000 units produced by the HOME Block Grant program in a year – for working families, seniors, homeless individuals, and people with special needs.

In 2003, affordable housing developers in New York received more than \$42 million to house thousands of families statewide.

This is a program that works and what's more– it's a program that enjoys broad support across party lines and it's the second option for the housing community.

Remember Lets Make A Deal? Well as Monty Hall would say, this is door number 2.

We continue to defend the dollars we've got for housing programs but in addition we intend to open door number two, – the Low Income Tax Credit, which was created in a similar political climate by Senator Bill Bradley and Congressman Dick Gephardt when the Reagan Administration was cutting direct housing programs.

The Credit was a way to promote the development of affordable housing without having to allocate direct federal expenditures. And it worked so well and became so popular that in 2000, 85 Senators voted overwhelmingly to increase the state allotments by 40 percent– from the original \$1.25 to the current \$1.80 per capita.

But now that the housing situation has reached a crisis point – we need to do more. And if we can't beef up funding for housing programs– then we should beef up the Low Income Housing Tax Credit.

Today, I am proposing that we double the current credit– from the FY2005 level of \$1.85 per capita to \$3.70 in FY2006. This will serve as a base and it will increase yearly as the credit does now with inflation.

Under the expanded program NY developers could get more than \$84 million to produce more than 8000 affordable housing units next year– 260,000 nationwide.

A rough estimate of the cost over a ten to sixteen year period for this expansion of the Tax Credit program would be \$7.5 billion.

Its also important to note that one common cry I hear from New York is that currently they are able to allocate 4% and 9% tax credits to investors but in some cases where the communities are poor and distressed they need to the 12% credit reserved for extremely poor and distressed neighborhood. The problem is that HUD determines which neighborhoods – qualify for the special 12% credits and not the states and localities who have a greater understanding of the needs of their communities.

As a result, States and localities feel they cannot access the tax credits they need.

So as we seek to expand this program— we need at the same time to increase the flexibility in which states and localities can distribute these tax credits to their more distressed neighborhoods to ensure that all of the credits available to them are reaching their communities in the most need.

The Credit has not only the support of housing advocates but also the backing of the very powerful real-estate lobby who will also in my opinion get behind it. These people will be able to persuade many Republicans on the Finance Committee and in the Congress who wouldn't normally vote for expenditures.

I want to be clear— this proposal is not at all meant to replace funding for current housing programs. We will still fight for full funding of every housing program— from Section 8 to CDBG.

But this expansion of the Low Income Housing Tax Credit will take us further and hopefully attract more developers than ever before to the affordable housing market.

This is the kind of drastic incentive developers need and the kind we'd better start providing to start putting a dent in the affordable housing deficit.

In addition to developing new affordable housing— we also need to work to ensure that we can preserve the current supply of affordable housing.

This leads to my second proposal- which also focuses on tax cuts rather than new spending.

At the moment the inadequate present stock of affordable housing might shrink even further — Much of it was built in the 60s and 70s and is aging and needs to be rehabilitated.

Under normal circumstances— developers who own this housing and have no interest in rehabilitating it themselves would sell it to another developer who would refinance and rehabilitate it for affordable housing.

But because a so called “ exit tax” is placed on any developer who plans to sell their subsidized property — more and more are deciding not to sell and to just sit on the property until they die.

Here's how it happens: Lets say back in the 70s Developer Dan purchased a plot of land in Queens for \$200,000 and built \$800,000 worth of affordable housing on it— for a total investment of \$1 million.

At the time, Developer Dan was able to secure tax benefits as part of the accelerated tax depreciation program and was able to deduct 70 cents on every dollar invested in affordable housing over a fifteen year period.

So now, in 2004 his accelerated depreciation has expired and Dan is getting on in his years and wants to sell the property— simply to break even and get out of the business.

But he can't do it very easily. If Dan sells the property for \$1 million he must then pay an exit tax. The exit tax for Dan will be 25% applied to the building that was subsidized. So Dan must pay a \$200,000 tax when he sells the building. That is not a very appealing situation for our friend Dan.

So Dan entertains two other options— instead of keeping the units as affordable housing he sells his property into the traditional housing market where he can garner a greater price which helps him pay the exit tax but removes the units from the affordable housing market.

Or even more likely, Dan holds onto the property and neglects its upkeep at a detriment to his tenants and waits until he dies because then the tax consequence is erased. The property is likely sold in the traditional market and lost to the affordable housing community.

The Local Initiatives Support Coalition estimates that there are 1 million housing units held in this manner because owners are unwilling to sell and take on the new tax burden.

That's one million housing units – many of which are rapidly deteriorating and not providing good homes for the people who are living in them and one million units that will eventually be removed from the affordable market if we don't do something to make it easier and more attractive for affordable housing owners to sell their properties to other affordable housing developers.

So today, I'm also proposing a plan to waive exit taxes for aging owners who sell their properties to buyers who agree to keep the properties affordable for no less than thirty years. It's a simple fix – and one that could save us 1 million affordable housing units.

While we await a full scoring of our proposal from the CBO, our back of the envelope estimate shows that waiving the exit taxes to preserve this supply of affordable housing represents a \$422 million incentive program over a 10 year period.

Finally, I'm also going to work to get the Homeownership Tax Credit passed when we return to session. Renting should not and cannot be the only options for low income families.

We've got to also help those who dream of owning their own homes and this bill– which will provide tax credits to developers who will build affordable housing in distressed communities for sale to low income residents – will do just that.

In conclusion, I'd just like to say that there is hope. I am not alone in calling for action in Congress and now that I can fight for the rights of low income families from both the Housing and Banking Committee and the Finance Committee I know we will look back on the coming year and see some successes. Of course we need to keep hearing the drum beat from you all. And I'm sure we will.

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