

New tax credit boosts hopes for more affordable housing

Offers promise of \$400 million in construction

Giving back: Jean Butzen of Lakefront SRO says her group is ready to capitalize on a new state tax credit for investors who bankroll construction of low-income housing. Photo: Steve Leonard

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By Greg Hinz

When USG Corp. donated \$100,000 worth of wallboard for a 207-unit apartment building that Lakefront SRO was building in the South Loop a couple of years ago, the low-income housing advocacy group showed its gratitude by naming the first-floor job-training center for the Chicago-based drywall manufacturer.

As Lakefront SRO prepares to break ground on a 51-apartment building in the depressed Roseland neighborhood, it may be able to offer corporate contributors a form of appreciation that will boost their bottom lines.

Lakefront SRO is just one of dozens of groups gearing up to compete for a new kind of housing tax credit offered by the state of Illinois — a credit that officials say could leverage the development of more than \$400 million in much-needed low-income housing statewide in the next five years.

Approved with little notice by the General Assembly last spring, the program offers individuals and companies 50 cents back on their state income taxes for every dollar they donate to qualified affordable-housing projects. The ultimate tax benefit to donors runs to 70% or more, if related federal tax advantages are included.

Corporate heavyweights such as Northbrook-based Allstate Corp. and Chicago's Harris Bankcorp Inc. lobbied for the bill and are eyeing participation in the program, which is slated to award about \$70 million in credits by fiscal 2007.

Given an affordable-housing shortage that forces some families to pay more than half their income in rent, "we have to act," says Kevin Jackson, executive director of the Rehab Network, an umbrella Chicago advocacy group. "The state hasn't provided new resources like this in 10 years."

Officials note that some of the money is earmarked for employer-assisted housing, a big issue in suburban areas where housing is expensive and labor scarce.

"We have a problem in Lake County, where people who work here can't afford to live here, so they drive," creating massive traffic problems, says state Sen. William Peterson, R-Long Grove, a chief sponsor of the bill that established the program. "This is the first step toward addressing that problem."

Virtually all low-income housing built in the Chicago area requires some sort of government subsidy, typically federal investment tax credits.

But such credits are extremely limited; the city Department of Housing now can dole out only about \$5 million a year, according to Commissioner John Markowski. And they are very expensive to taxpayers: For every \$1 in federal tax credits, only about 78 cents actually is invested in housing construction, guaranteeing investors a healthy profit but limiting the number of units produced.

The Illinois plan is more leveraged. If it works as designed, it will give state taxpayers a better deal.

Widespread interest

The program will provide \$13 million in credits this year statewide, rising 5% annually thereafter. The \$26 million in donations drawn by that credit typically will make up no more than 30% of any individual project's funding, thus leveraging at least \$400 million over five years, according to the Rehab Network.

The city and the Illinois Housing Development Authority (IHDA), both of which lobbied strongly for the program, will share the funds, with the city guaranteed a set-aside of about \$3.2 million a year and IHDA administering the remainder.

Tax credits will be available to any donor who contributes to a project certified by the city or IHDA as qualified low-income housing for purposes of the program.

Rules outlining exactly how the program works may be released as soon as this week, according to Char Flickinger, IHDA's director of tax credits. "A lot" of groups have expressed interest, she says.

The state program should be "a little easier" to administer than the federal credits," according to Robin Coffey, a vice-president at Harris Bank who runs its community development unit. "It's another tool. We need all the tools we can get."

A spokeswoman for Allstate says it definitely is planning to participate in the program, and will pass on its tax savings in bigger donations to housing groups.

Donors will be allowed to give or sell their credits to others under the program. The only limitation is that the entity that applies for the credit must have state tax liability.

Ready to move

Whenever the rules come out, Lakefront SRO President Jean Butzen says she's ready to move.

"We could use a significant amount of that \$13 million a year ourselves, and this is statewide."

Still, she adds, "We're pretty good at using the federal credits, and I suspect we'll get really good at using this, too."