

# HOMES

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Famicos, the nonprofit social-welfare agency that manages Park Village Apartments, keeps it bright and safe in Cleveland's Hough neighborhood. The Low Income Housing Tax Credits program helps keep rent low for tenants.

## low rent, high expectations

*Tax incentives are creating better options for affordable housing*

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Plain Dealer Reporter

A red and black "For Rent" sign hangs on the front of a three-story brick apartment building on Cleveland's East 71st Street. To check out the property, home-seekers have to scale pitted, out-of-kilter concrete steps, then brave a porch that droops dangerously on one end. Discolored plywood covers a second-floor window, and a white curtain flaps through a gap over the sill.

Down-and-out places like this aren't the only rental choices in town, of course. But rundown as the building and its surroundings seem, a potential tenant with limited means might think twice before crossing it off a list.

In contrast, Jeannetta Russell and her family scored a relative winner with their apartment in Park Village on Hough Avenue. It's a complex of three-story brick buildings, too, but newer and nicely maintained, with walkways and parking plowed, common areas clean.

The two-bedroom unit she and her daughter, Nakia, and 4-month-old granddaughter, Niyanna, live in may be small (smaller still, Russell says, since the baby arrived). But, she says, "they do keep it nice" — and affordable at \$252 a month.

This and many other reasonably priced apartments and single-family rental houses

in Greater Cleveland save hundreds of families from substandard housing because of their connection to a little-understood federal program called Low Income Housing Tax Credits, or LIHTC.

The Internal Revenue Service runs it, and the program's aim since Congress created it in the 1980s has been to connect the dots between two remote quarters of the economy: At one end stand the working poor who need decent housing at a reasonable cost; at the other, fat corporations who need some place to park their money.

Over the past 10 years, housing costs have increased much faster than wages. Many who earn less-than-average salaries struggle to find shelter that's not substandard. They may work for a downtown house-cleaning service, like Russell, or as mechanics or hospital, hotel or retail staff.

The key: To qualify for LIHTC housing, they must make no more than 60 percent of the area median income, or in 2003, no more than \$35,940 for a family of four.

"Rentals that are decent and inexpensive would be tough to find without LIHTC," says Mindy Turbov, a housing consultant formerly in Cleveland now in Chicago. "That's true all over the country."

Landlords, of course, usually rent property to make money.

It's not always easy. Properly maintaining units is a costly part of the business, so property owners search for other financial bene-

fits other than rent receipts to keep ahead financially.

Tax advantages can be a big incentive, especially for the wealthy, whose tax rates are relatively high. Many scramble for ways to park barrels of money while receiving generous federal income-tax advantages that save them billions.

The two parties — low-income tenants and tax-break-seeking companies — find common ground in this U.S. program.

It gives 15 years of handsome credits — 70 to 80 cents or more on each dollar invested, Turbov says — to banks, insurance companies and other corporations that invest \$3 billion a year in affordable rental housing. In exchange, these corporate investors agree to rent their properties at below-market rates.

Their investment adds an estimated 100,000 new or rehabbed low-cost units to the rental market each year.

Harvard University's Joint Center for Housing, the Brookings Institution and most housing professionals know that even 100,000 units is not enough.

The National Housing Conference says 3.7 million U.S. families with a full-time wage earner spend more than 50 percent of their income on housing, way beyond the 30 percent or less financial planners recommend.

E8

## RENT

FROM E1

### Low-income housing gets more creative

In Cleveland alone, an estimated 100,000 working families could benefit from decent housing units that rent for less than \$450 a month, according to Cleveland State University's Levin College of Urban Affairs.

Many who work in low-income housing think that without LIHTC, there would be few options for families living on half or less of the area's median income.

"It really is among the last remaining incentives for developing affordable housing," says Rob Curry, director of Cleveland Housing Network. When you look for government programs to help low-income working people find housing, Curry says, "This is it."

The program has spawned a nationwide industry of specialized property managers, analysts, builders, rehabbers and developers who bridge the gap between cash-strapped tenants and the wealthy investors who put up capital to build and fix up suitable properties.

With the highest concentration of poverty of any big city in the nation, Cleveland acutely needs more affordable housing, Curry says. "And not just for the really poverty stricken."

"A huge need is for decent housing for the working poor," says Curry, families who make it on \$10 an hour or less. The federal minimum wage is \$5.15 an hour, and "there are households that manage to survive on that — but barely."

Low-income units in Greater Cleveland, concentrated in the inner city, show a dramatic diversity.

The three-story Courtland Building, on West 54th Street and Detroit Avenue, features



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Jeannetta Russell pays below-market rent at the well-maintained Park Village Apartments, thanks to a popular federal tax-credit program that gives incentives to investors in affordable housing.

shops on the first floor and 16 apartments on the upper floors, many with bay windows overlooking the streets.

An entryway opens off West 54th to a staircase with new carpet leading to the second floor, which opens to a two-story atrium. Illumination comes from a skylight, brightening the space even on a gray winter day.

Varnished wood doors and wainscoting seem sturdy, floors clean and plaster walls shiny with fresh paint. But a few years ago, the 1920s building was headed toward demolition.

Its rescue resulted from a \$2.3 million investment Detroit Shoreway Community Development Organization administered to the benefit of area residents and the neighborhood (as well as its corporate investors).

In some of the organization's apartment buildings along Detroit, residents earn as little as 17 percent of area median income, equivalent to about \$10,200 for a family of four,

according to Meg Slifcak, deputy director of the organization.

"You can imagine how few options those working people might have if not for low-income housing," she says.

Slifcak and others involved in development and operation of such housing know that a complex system supports the federal program, and they have to keep on their toes to make it work.

The earliest LIHTC projects, for instance, have reached the limit of the 15-year tax benefits Congress mandated, and more will in the years to come. But there are ways to keep investors interested and benefiting, according to Mark McDermott, vice president and Midwest regional director of Enterprise Social Investment Corp., which works closely with low-income housing issues.

Successful projects in urban areas with high poverty, like Cleveland, can qualify for additional years of tax benefits from the government for their inves-

tors, he says. Plus, in Cleveland, the majority of the tax-credit projects have a nonprofit owner or co-owner, according to McDermott.

These nonprofits are often community development corporations or other institutions, like Cleveland Housing Network, whose mission is to provide decent low-income housing.

Their diligence, McDermott says, likely will keep any older projects from shifting to a market-rate rental strategy or converting to condominiums — and thereby displacing tenants like Jeannetta Russell and her family.

Sitting in her living room, Russell feels constrained by her tight two-bedroom in Park Village. But, she acknowledges, "I can't afford to live anywhere else."

The \$252 she pays each month wouldn't even get her and her family into the shopworn brick apartments on East 71st Street.

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