


MARCH 19, 1990

TO: SENATOR DOLE 
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO NATIONAL MULTI HOUSING COUNCIL BOARD

At 7:15 this evening, you are scheduled to speak to the Board of the National Multi Housing Council, a trade association of major developers and owners of multifamily housing nationwide, such as Trammell Crow and Lincoln Properties. (I am told you may know Duncan Matteson from San Francisco whose firm also belongs.) Norm Ornstein from AEI will also speak tonight. Tom Evans of the Evans Group arranged this event.

This group will be interested in your reaction to the Rostenkowski (and Sasser?) budget plan, the outlook for capital gains and taxes, in general, and developments in housing policy, including handicapped access legislation. You have been asked to speak for approximately 20 minutes and respond to a few questions. On Tuesday, they will hear from Congressmen Bill Archer and Henry Hyde.

Because NMHC members are engaged in the rental real estate business full time, they have been the hardest hit by the 1986 passive loss limits. Because the ownership of rental real estate is defined as a passive activity no matter what, developers cannot deduct their losses even against management fees from the same property. This is generally acknowledged to be excessive.

The top legislative priority for this group is legislation introduced by Congressmen Andrews and Thomas (at the behest of the realtors) which would allow taxpayers who materially participate in the real estate business (1,000 hours per year) to deduct passive real estate losses without limit. Under this legislation, a doctor whose wife worked 1,000 hours as a real estate agent could invest in unrelated real estate tax shelters and deduct the losses. Obviously, this is both overly generous and overly expensive. (A more modest bill introduced by Congressman Pickle last Congress which allowed material participants to deduct only out-of-pocket expenses (i.e., not depreciation) cost over \$1 billion per year. This bill will cost much more.) The right solution would restrict relief to properties directly connected to the taxpayer's full time business, but pressure from groups, such as the realtors, to expand any relief legislation has proved irresistible so far.

A few members of this group are also interested in the extension of the mortgage revenue bond (MRB) and low-income housing tax credit programs. Both of these programs expire this year and are prorated for nine months' cost.

Finally, as soon as this week, Treasury will release a study of administrative reform of large partnerships. This study will discuss, but not endorse, withholding and partnership assessment proposals which this group opposes. A provisions to collect tax deficiencies at the partnership level passed the House several years ago. This creates administrative difficulties for limited partnerships (used in real estate activities) which do not have the legal right to asses individual partners for this liability.

Carolyn

Speak

March 19
Mon.

THE EVANS GROUP, LTD.

EIGHTH FLOOR
1010 WISCONSIN AVENUE, N.W.
WASHINGTON, D.C. 20007
(202) 333-8777

March 8, 1990

The Honorable Bob Dole
Republican Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

Dear Bob:

On behalf of the National Multi Housing Council, many thanks for agreeing to be the keynote speaker at their meeting here in Washington which begins on March 19. The event takes place at the Park Hyatt Washington located at 24th and M St., N.W. I will meet you in the lobby at approximately 7:00 PM, or if you prefer, drive with you to the hotel. Although they are expecting you to speak before dinner, the schedule could be rearranged at the last minute if there are pressing issues on the floor.

The members are genuinely appreciative of the opportunity to hear your views on issues of interest to the real estate industry and the country. NMHC's involvement in legislative affairs during the first session of the 101st Congress centered around three issue areas: federal tax policy; federal housing policy; and implementation of the handicapped accessibility provisions of the Fair Housing Amendments Act of 1988. An issue of key concern to the Council is a preferential rate for capital gains taxation, with real estate treated equally with all other forms of investment.

The real estate industry, especially rental housing, is vulnerable to change. Because of the large amounts of capital involved in apartments and the long time periods between beginning and completion of projects, the impact of tax law changes on the supply and demand of real estate can be substantial. The NMHC strongly supports a preferential tax rate for capital gains which includes real estate. They also believe that rental real estate activities should be treated the same as any other business activity for tax purposes.

I am looking forward to seeing you and warmest personal regards.

Sincerely,

Tom

Thomas B. Evans, Jr.

TBE/sah

Betty - The reason I put the last sentence in the first paragraph is because the Clean Air Act might be on the floor Mar. 19th.

Carolyn

Speak

*March 19
Monday
Last day of recess*

Sheila

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EIGHTH FLOOR
1010 WISCONSIN AVENUE, N.W.
WASHINGTON, D.C. 20007
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February 13, 1990

by dg

Park Hyatt

The Honorable Bob Dole
Senate Republican Leader
S-230 The Capitol
Washington, DC 20510

Dear Bob:

We represent the National Multi Housing Council and they are meeting in Washington, D.C. at the Park Hyatt Hotel on Monday, March 19. They would very much like to have you as their dinner speaker and we could schedule your address either before or after dinner. The dinner will take place between 7:30 and 9:30 p.m.

Membership in the NMHC includes virtually all of the largest developers, owners, managers and financiers of multi family housing in this country. Most of them are good Republicans and many are friends of yours already. I will also ask them to contribute to Campaign America and attend dinner on the 20th. Your presence the evening before should help in this endeavor and they would pay an honorarium of \$2,000.

Hope to see you soon and warmest personal regards.

Sincerely,

[Signature]

Thomas B. Evans, Jr.

TBEjr/cdl

Chris, see 'y

Susan

MARCH 19, 1990

TALKING POINTS
NATIONAL MULTI HOUSING COUNCIL

O GOOD EVENING.

THE ROSTENKOWSKI PLAN

O LIKE SENATOR MOYNIHAN, CHAIRMAN

ROSTENKOWSKI CHOSE A SLOW WEEK IN CONGRESS

-- THE SENATE WAS IN RECESS AND THE HOUSE WAS

MARKING TIME UNTIL THE SPEAKER'S ST. PATRICK'S

DAY PARTY -- TO UNVEIL HIS DEFICIT REDUCTION

PLAN. IT WAS THE WAKE UP CALL WE NEEDED.

-3-

- O THE PRESSURE IS NOW ON OTHER DEMOCRATIC LEADERS TO PUT THEIR IDEAS ON THE TABLE AND LET THE NEGOTIATIONS BEGIN. IN FACT, SENATOR SASSER WAS FORCED TO OUTLINE HIS OWN TARGETS YESTERDAY.
- O I DON'T AGREE WITH EVERYTHING CHAIRMAN ROSTENKOWSKI HAS RECOMMENDED. BUT HE IS RIGHT IN INSISTING THAT ANY "PEACE DIVIDEND" BE USED FOR DEFICIT REDUCTION AND THAT ANY NEW

-4-

SPENDING BE ON A PAY-AS-YOU-GO BASIS. WE MUST
EITHER MAKE NEW PROGRAMS FINANCIALLY
SELF-SUFFICIENT OR SCALE BACK EXISTING
PROGRAMS TO PAY FOR NEW INITIATIVES. THIS IS
WHAT I PROPOSED WHEN I CALLED FOR A 5%
REDUCTION IN FOREIGN AID SET ASIDES.

THE FREEZE

- O CHAIRMAN ROSTENKOWSKI IS PROBABLY ALSO

RIGHT POLITICALLY IN REVIVING CANDIDATE BUSH'S

PROPOSAL FOR A ONE-YEAR FREEZE IN FEDERAL

SPENDING WITH THE EXCEPTION OF MEANS-TESTED

POVERTY PROGRAMS.
- O A FREEZE IS NOT THE BEST POSSIBLE POLICY; IT IS

SIMPLE CRUISE CONTROL. IT DOES NOT DISTINGUISH

AMONG PROGRAMS ACCORDING TO

-6-

CHANGING NEEDS. IT PERPETUATES SOME
OBSOLETE PROGRAMS WHICH SHOULD BE CUT
SIGNIFICANTLY OR EVEN ELIMINATED TO PAY FOR
NEW PRIORITIES, LIKE EDUCATION AND THE DRUG
WAR. AND IT DOES NOT FACE UP TO NEEDED
STRUCTURAL REFORMS, SUCH AS THE PRESIDENT'S
MEDICARE PROPOSALS.

- O MOREOVER, IT DOES NOT EVEN FREEZE
CONGRESSIONAL PAY. IF A FREEZE IS TO SUCCEED,
WE MUST ALL SHARE EQUALLY.

-7-

O HOWEVER, UNLIKE MOST BUDGET SOLUTIONS, A

FREEZE IS EASILY UNDERSTOOD -- AT LEAST OUTSIDE

THE BELTWAY WHERE YOU ARE NOT AUTOMATICALLY

ENTITLED TO YOUR INFLATION ADJUSTMENT. AND IT

DEMANDS THE SAME SACRIFICE FROM EVERYONE.

TAXES

O I HAVE ALWAYS INSISTED THAT TO REDUCE THE
DEFICIT WE SHOULD LOOK TO SPENDING CUTS AND
NOT NEW TAXES. THAT IS WHY I BELIEVE THAT
GASOLINE TAXES SHOULD BE RAISED ONLY IF THE
REVENUE IS USED TO REPAIR OUR CRUMBLING
ROADS AND BRIDGES.

-9-

O MOREOVER, I DO NOT BELIEVE THAT THE PRESIDENT
WILL ABANDON HIS PLEDGE OF "NO NEW TAXES" TO
RAISE INCOME TAX RATES, EVEN AS PART OF A DEAL
LIKE THE ROSTENKOWSKI PACKAGE. INCOME TAX
RATES ARE THE POLITICAL CRUX OF THE NO TAX
PLEDGE. WHEN PEOPLE HEAR "NO NEW TAXES" THEY
UNDERSTAND NO INCOME TAX INCREASES.

-10-

- O HOWEVER, THERE ARE WAYS THAT WE CAN RAISE REVENUES WITHOUT RAISING TAXES. CLOSING TAX LOOPHOLES IS ONE WAY. CUTTING CAPITAL GAINS RATES MAY BE ANOTHER, DEPENDING ON WHOSE ESTIMATES YOU BELIEVE.

CAPITAL GAINS

- O THE ROSTENKOWSKI PLAN HAS PUT CAPITAL GAINS ON HOLD -- FOR NOW. HOWEVER, CAPITAL GAINS IS HIGH ON THE PRESIDENT'S PRIORITY LIST. AND IT

-11-

HAS THE SUPPORT OF A MAJORITY IN BOTH THE
HOUSE AND SENATE. SENATOR MITCHELL WAS ABLE
TO BLOCK A VOTE LAST YEAR, BUT I DOUBT HE CAN
FIND THOSE VOTES AGAIN, ONCE A BUDGET
AGREEMENT HAS BEEN REACHED.

- O THE PRICE FOR CAPITAL GAINS RELIEF IN THE
SENATE MAY BE A SAVINGS INCENTIVE, AS
PROPOSED BY THE PRESIDENT, OR AN EXPANDED

-12-

IRA, AS PROPOSED BY SENATOR BENTSEN.

HOWEVER, I BELIEVE THAT SOME CAPITAL GAINS

RELIEF WHICH INCLUDES REAL ESTATE WILL PASS

THIS YEAR.

THE BUDGET PROCESS

O FINALLY, I DO NOT AGREE WITH CHAIRMAN

ROSTENKOWSKI'S CALL FOR THE REPEAL OF THE

GRAMM-RUDMAN-HOLLINGS LAW ALTHOUGH I

SHARE HIS FRUSTRATION WITH THE CONGRESSIONAL

BUDGET PROCESS.

-13-

- O AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A WALK ON THE DEFICIT ALTHOUGH WE HAD AN OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO ENACT SOME TOUGH PROGRAMS.
- O INSTEAD WE SPENT 10 MONTHS AND DEVOTED OVER 60% OF OUR ROLL CALL VOTES IN THE SENATE TO REDUCE THE DEFICIT BY ONLY \$16 BILLION. THESE WERE NOT TOUGH VOTES. WE FOUND \$500 MILLION

-14-

IN LOST FOOD STAMPS; WE ACCELERATED MILITARY
PAY DATES -- AND WE NEEDED FOUR MONTHS OF
SEQUESTER ON TOP OF EVERYTHING ELSE.

- O THIS YEAR WE NEED \$36 BILLION -- MORE THAN
TWICE AS MUCH -- TO MEET OUR GRAMM-RUDMAN
DEFICIT TARGET, EVEN UNDER OMB'S OPTIMISTIC
ASSUMPTIONS. AND THE CONGRESSIONAL BUDGET
OFFICE NOW SAYS WE NEED \$60 BILLION MORE!

-15-

O SO YOU CAN SEE WHY THE PROCESS IS SO
FRUSTRATING AND WHY THE BUDGET COMMITTEES
PREFER TO FOCUS ON REFORMING
GRAMM-RUDMAN-HOLLINGS. IN FACT, THE
COMMITTEES HAVE NOT EVEN BEGUN WORK ON A
1991 BUDGET RESOLUTION, TWO WEEKS BEFORE
THE APRIL 1 DEADLINE. AND WHILE THE HOUSE
DEMOCRATS MAY STEAMROLL A PROPOSAL
THROUGH NEXT WEEK, I DON'T EXPECT ANY SERIOUS
ACTION IN THE SENATE BEFORE JUNE.

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O WITHOUT THE DISCIPLINE OF THE
GRAMM-RUDMAN-HOLLINGS LAW AND ITS
SEQUESTER THREAT, THERE WOULD BE NOTHING TO
FORCE THE DEMOCRATS TO THE TABLE NEXT YEAR
OR TO STOP THE CONGRESS FROM RETURNING TO
ITS OLD FREE-SPENDING WAYS, ONCE THIS DEAL
EXPIRES.

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- O SO I THINK THAT CONGRESSMAN ROSTENKOWSKI
HAS ISSUED A CHALLENGE TO BOTH PARTIES TO
WORK OUT REAL DEFICIT REDUCTION. THE WHITE
HOUSE HAS ANSWERED THIS CHALLENGE. I HOPE
HIS FELLOW DEMOCRATS DO THE SAME.

REAL ESTATE

- O IT IS GENERALLY AGREED THAT THE RENTAL REAL
ESTATE BUSINESS WAS HIT TOO HARD UNDER TAX
REFORM. HOWEVER, THE ANSWER IS NOT TO
RESTORE TAX SHELTERS FOR EVERY DEVELOPER OR

-18-

REAL ESTATE AGENT AT A COST OF BILLIONS OF DOLLARS PER YEAR. LEGISLATION OF THIS KIND SIMPLY WILL NOT PASS. THEREFORE, I ADVISE YOU TO ABANDON THIS EFFORT IN FAVOR OF TARGETED RELIEF FOR FULL-TIME DEVELOPERS AND OWNERS, SUCH AS YOURSELVES.

- O ON THE OTHER HAND, THERE IS SUPPORT FOR EXTENSION OF BOTH THE LOW INCOME HOUSING TAX CREDIT AND MORTGAGE REVENUE

-19-

BOND PROGRAMS. IN FACT, THE STATES HAVE
RESPONDED QUICKLY TO THE CREDIT PROGRAM
REFORMS ENACTED LAST YEAR, AND IT LOOKS LIKE
MOST WILL UTILIZE THEIR FULL ALLOCATIONS THIS
YEAR.

- O FINALLY, TREASURY IS COMPLETING WORK ON A NEW
STUDY FOCUSING ON THE ADMINISTRATION OF
LARGE PARTNERSHIPS. ALTHOUGH THE STUDY WILL
NOT ADVOCATE EITHER WITHHOLDING OR

-20-

PARTNERSHIP LEVEL ASSESSMENTS, THOSE ISSUES
MAY WELL ARISE DURING ANY CONGRESSIONAL
DEBATE BASED ON THIS STUDY.

CLEAN AIR

- O IN ADDITION, I WOULD CAUTION YOU NOT TO IGNORE
THE PENDING CLEAN AIR LEGISLATION. THIS IS
PROBABLY THE MOST IMPORTANT -- AND COSTLY --
NEW PROGRAM BEFORE THE CONGRESS THIS YEAR.
IT WILL AFFECT SMALL HOSPITALS WITH

-21-

INCINERATORS, FARMERS WHO USE AMMONIA
FERTILIZERS, MARGINAL OIL AND GAS PRODUCERS,
AND THE CONSTRUCTION INDUSTRY.

- O GIVEN YOUR EXPERIENCE WITH THE ASBESTOS
REMOVAL PROGRAM, WHICH SENATOR WALLOP IS
STILL ATTEMPTING TO REPEAL, YOU SHOULD NOT
ALLOW THIS LEGISLATION TO ESCAPE SCRUTINY.

-22-

OTHER LEGISLATION

- O FINALLY, I WOULD LIKE TO COMMEND ALL OF YOU
FOR YOUR EFFORTS TO INCREASE ACCESS FOR THE
HANDICAPPED. I REALIZE THAT THESE PROGRAMS
MAY NOT ALWAYS APPEAR COST EFFECTIVE, BUT THE
REAL GAINS IN SELF RELIANCE AND QUALITY OF LIFE
ARE PRICELESS.

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THE ELECTION

- O AS YOU KNOW THIS IS AN ELECTION YEAR. AND FOR
A CHANGE, THE REPUBLICANS APPEAR LIKELY TO
MAKE GAINS IN A MID-TERM ELECTION.
- O UNLIKE RECENT SENATE CAMPAIGNS WHERE THE
DEMOCRATS HAVE BEEN ABLE TO RECRUIT BETTER
CANDIDATES, WE NOW HAVE 8 REPUBLICAN HOUSE
MEMBERS RUNNING FOR THE SENATE BEHIND A
PRESIDENT WHOSE POPULARITY IS BREAKING
RONALD REAGAN'S RECORDS.

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O OF COURSE, PRESIDENT BUSH'S RATINGS WILL COME DOWN SOMEWHAT, AND PUNDITS CONTEND THAT A PRESIDENT'S COATTAILS DO NOT HELP IN CONGRESSIONAL ELECTIONS. BUT I THINK THAT BILL SCHUETTE IN MICHIGAN, TOM TAUKE IN IOWA, LYNN MARTIN IN ILLINOIS AND CLAUDINE SCHNEIDER IN RHODE ISLAND ARE EACH POSITIONED TO UNSEAT AN INCUMBENT SENATOR.

CONCLUSION

O AND BECAUSE THIS IS AN ELECTION YEAR,

BI-PARTISAN COOPERATION WILL BECOME MORE

AND MORE DIFFICULT. NEVERTHELESS, I BELIEVE

THAT WE WILL FINALLY AGREE ON WHAT I HAVE

CALLED THE FIVE C's: CLEAN AIR, CHILD CARE,

CAMPAIGN FINANCE REFORM, A CRIME PACKAGE,

AND SOME FORM OF CAPITAL GAINS RELIEF.

HOWEVER, AS

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ALWAYS, THE SERIOUS DEBATE ON THE BUDGET AND
THE BUDGET PROCESS WILL CONTINUE TO
DOMINATE OUR AGENDA UNTIL BOTH CONGRESS
AND THE PRESIDENT FACE UP TO THE TOUGH
CHOICES.

O THANK YOU.