National Council *of* State Housing Agencies

April 26, 2017

Ms. Laura Sullivan
Correspondent, NPR Investigations

Ms. Emma Schwartz
Producer, Frontline

Mr. Rick Young
Producer, Frontline

Dear Ms. Sullivan, Ms. Schwartz, and Mr. Young:

Thank you again for providing the National Council of State Housing Agencies (NCSHA) the opportunity to contribute to Frontline and National Public Radio's (NPR) understanding of the national affordable rental housing crisis and the role of the Low Income Housing Tax Credit (Housing Credit) program in response, as you prepare a Frontline broadcast and NPR radio segment(s) on this subject to air in early May. We especially appreciate the interview you conducted with Mary Tingerthal, commissioner of Minnesota Housing and a member of NCSHA's Board of Directors, who spoke to you on camera on behalf of NCSHA. As you know, NCSHA represents the state housing agencies that administer the Housing Credit program all across the country.

Unfortunately, after reflecting on our exchanges with you, including the Tingerthal interview, we are deeply concerned that you seem committed to present a picture of the Housing Credit program that is inaccurate, negative, and fails to speak to the program's great strengths and achievements. We are also troubled that in your determination to put forward your views, you have not fully and fairly considered information that we and others in the Housing Credit community have given you that does not support them. Our apprehension grew when we saw Frontline's recently published characterization of the program on its website: *Poverty, Politics and Profit; an investigation into the billions spent on housing the poor, and why so few get the help they need. With NPR, the film examines the politics, profits and problems of an affordable housing system in crisis*.

Among our concerns is your significant focus on a few known cases of fraud in the Housing Credit program and your repeated insinuation, without offering evidence, that such fraud is in fact much more widespread. As Tingerthal emphasized throughout her interview, NCSHA believes strongly that any incidence of fraud is unacceptable and should be prosecuted aggressively. To the best of our knowledge, however, fraud in the Housing Credit program has been exceedingly rare over its 30-year history.

In the limited instances when fraud has been discovered, state allocating agencies have responded swiftly and proactively, cooperating fully in its investigation and resolution. In addition, state agencies regularly review their practices to determine if they can be further strengthened to prevent fraud, taking into consideration lessons learned from these infrequent but unfortunate events. State agencies also share their experiences and responses with other states so all can build into their administration the strongest possible safeguards against similar fraudulent activity, and they work through NCSHA to develop national recommended practices in these areas.

We are also disturbed that you seem determined to draw inaccurate conclusions about Housing Credit production from NCSHA data, even after we have explained to you the limitations of our data. We have repeatedly cautioned you against using our data to perform an overly simplistic analysis that considers only the average amount of Credit authority allocated per Housing Credit unit, but against our best advice, you have done just that. Your analysis correctly concludes that fewer units have been allocated Credit over time, but inaccurately attributes the decline, again without evidence, to increased profits taken by syndicators and other program participants. Your conclusion ignores the many good reasons why states may choose to allocate more Credit authority to individual developments.

One such priority is to achieve deeper income targeting to the poorest households. Since the Tingerthal interview, we have had the opportunity to take a closer look at income targeting. Our data, with which we provided you months ago, shows that in 1994, only 1 percent of Housing Credit units were targeted to households earning less than 30 percent of area median income (AMI), extremely low-income (ELI) households. In 1997, that number had risen to 4 percent, and by 2014, to 9 percent. Other program experts suggest these estimates are likely conservative. While we recognize that it is difficult to quantify exactly how much of an impact the increase in targeting to ELI households has on total unit production, we think it is misleading to ignore this factor in your analysis.

Your analysis also does not take into account the reduction in other federal housing resources commonly utilized by states in the financing of Credit developments, which often reduce the amount of Credit equity necessary to achieve financial feasibility. Of particular significance is the decline in HOME Investment Partnerships (HOME) program funding, which has historically been an important funding source in Housing Credit developments. Harvard University's Joint Center on Housing Studies' *State of the Nation's Housing 2016* states, "the 55 percent real reduction in HOME funding between FY 2006 and FY2016 has [thus] eroded the power of the LIHTC program to add new affordable rentals." In 1997, the year in which your analysis now begins, HOME was funded at $1.4 billion, but that amount had fallen to $1 billion by 2014, and is now at $950 million. While NCSHA does not have the data to quantify specifically how much HOME funding has gone into Housing Credit properties over the years, it is reasonable to assume that such a significant cut to a critical resource used in Housing Credit developments would increase the amount of equity necessary to make many developments feasible. Unfortunately, your analysis disregards this fact.

Deeper income targeting and reduced availability of subsidies such as HOME funding are only two of the many factors that help explain the drop in Credit production. Other factors that impact the amount of Credit allocated to individual units include how many units are in a property (larger properties benefit from economies of scale), the extent of rehabilitation needs in preservation projects, whether or not particular developments require building acquisition, higher costs associated with energy efficiency and long-term sustainability, the financing of housing with amenities such as common space for service provision and universal design components, application of prevailing wage requirements, fluctuations in interest rates, evolving local government design and infrastructure requirements, and, of course, Credit pricing. All of these factors—while they may be difficult to quantify exactly—are key elements of this story, which we fear Frontline will fail to convey.

The Housing Credit has a long track record of successfully producing affordable rental housing through an unprecedented public-private partnership. It has been lauded by independent, bipartisan organizations such as the Millennial Housing Commission and the Bipartisan Policy Center's Housing Commission. We hope that Frontline will showcase the program's many strengths and accomplishments and not just focus on what we believe to be undue and unsubstantiated criticisms.

We understand that Frontline seeks to adhere to high standards for editorial integrity and quality. We are concerned that this piece, as we believe it is currently conceived, will fall far short of those standards. We urge you to step back and reconsider the information and perspectives we and others, many of whom have worked in the affordable housing field and with this program for years, have provided you in good faith, to present a fair and balanced picture of this critical program.

Sincerely,

Barbara Thompson

Barbara Thompson
Executive Director

cc: Michael Oreskes
Raney Aronson-Rath