

May 10, 2017

### **Setting the Affordable Housing Record Straight**

Over the last 30 years, virtually all affordable rental housing in the United States has been built or rehabilitated with the support of the federal Low Income Housing Tax Credit program. This is essential because rents affordable to low-income families are otherwise insufficient to cover development and operating costs. The Housing Credit and an extraordinary partnership among state and local governments, for-profit and nonprofit builders, and private investors and lenders has enabled the rehabilitation and construction of 40,000 properties. These have provided more than 3 million rental homes for the most vulnerable members of our society – struggling working families, seniors, veterans, people with disabilities, and the formerly homeless.

This housing is high quality and well maintained. It strengthens thousands of urban, suburban, and rural communities. Harvard University's Joint Center on Housing Studies, which has exhaustively studied the Housing Credit, has concluded that it is "widely regarded as the most successful affordable housing production and preservation program in the nation's history."

However, because of a variety of serious societal challenges having nothing to do with the Housing Credit, the nation remains mired in an affordable housing crisis. More than 11 million low-income families pay more than half their income in rent, and there remains a severe shortage of available housing for those in greatest need. While we applaud the NPR and Frontline report "Poverty, Politics, and Profit," which aired on May 9, 2017, for highlighting the urgency for greater resources to address the housing crisis, the show unfortunately reached unsupported conclusions about some of the root causes of the crisis as well as the enduring legacies of the Housing Credit program.

We are housing organizations and advocates working with many public, private and philanthropic groups to address the affordable housing crisis in the United States. We are committed to ensuring that everyone in America has a quality home that is affordable. We welcome efforts, including by NPR and Frontline, to improve understanding of the affordable housing crisis.

Still, the central themes of "Poverty, Politics, and Profit"—that the affordable housing crisis is perpetuated by a combination of excessive profits and rampant corruption in the Housing Credit program—are simply false. The best available data unambiguously show that the profits of investors and fees of syndicators (investment managers) have declined significantly over the years, while developer fees are strictly controlled by state housing finance agencies. Syndicator fees for affordable housing programs last year, about \$300 million, were paid by investors for services rendered in organizing about \$9 billion in private equity investments used to build housing. This amounts to fees of 3 percent of the funds raised.

Affordable housing developments have required more Housing Credits in recent years because of multiple economic factors having nothing to do with profits. Construction costs for all types of real estate have increased substantially in recent years, as NPR and Frontline independently confirmed. Properties are underwritten to serve lower income residents at lower rents than before, as required by federal law. Other government funds that fill the financing gap for this housing have declined sharply.

Although the show asserted that there was "little government oversight," quoting a claim that there have only been 7 Internal Revenue Service audits of the state programs in 29 years, it did not examine the IRS's broader record or the overall enforcement records of the state agencies and investors who

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share primary oversight responsibilities. The report did not mention that, according to the Government Accountability Office, the IRS has performed hundreds of audits of Housing Credit taxpayers since 1995. Moreover, as directed by Congress, state agencies take the lead on oversight, working with the IRS. They regularly conduct extensive reviews of Housing Credit developments to ensure compliance with the rules, inspecting their physical and financial condition and certifying their occupancy by qualified low-income residents. Multiple parties – both public and private – scrutinize each transaction from beginning to end, providing independent checks and balances. The state agencies underwrite transactions to make sure that costs are reasonable and that the amount of Housing Credits awarded is the minimum needed to complete the project. A recent GAO study of state agencies' administration of the program found that states often go above and beyond the compliance monitoring responsibilities required of them by law.

The record of the states in monitoring for compliance is strong. Out of about 40,000 properties developed with the Housing Credit that have provided 3 million homes over 30 years, only a few cases of fraud have surfaced. Violators have been punished swiftly. Investors audit and inspect every property regularly and thoroughly because they forfeit their tax benefits if the housing is not built on budget and on schedule, is not managed efficiently and responsibly, or fails to serve low-income households at restricted rents. Although there is no evidence to support the report's suggestion that there may be significant additional instances of fraud, we support all efforts to investigate and vigorously prosecute any such cases in the program.

Moreover, numerous studies show that the Housing Credit has reached low-poverty neighborhoods more effectively than earlier subsidized affordable housing programs, despite the report's suggestion that the Credit contributes to concentrated poverty. A [recent report by the Department of Housing and Urban Development](#) found that states are prioritizing more Housing Credit developments in high-opportunity areas. New construction is equally common in high-opportunity and high-poverty areas. And the pending Affordable Housing Credit Improvement Act, which advocates of affordable housing broadly support, includes several provisions that would facilitate Housing Credit development in high-opportunity areas.

It remains vital to continue to develop and preserve affordable housing in a broad range of neighborhoods to provide choices for potential residents and revitalize areas in which our nation has chronically underinvested. To reduce investing in economically distressed neighborhoods could take us backward, however unintentionally, to a dark age of redlining that contributed to the destabilization of communities. Indeed, research shows the Housing Credit revitalizes low-income neighborhoods and increases racial and income diversity as well as public safety.

Since 1986 the Housing Credit has provided 14 million people with rental homes they can afford. It generates 96,000 jobs annually and \$3.5 billion in annual taxes and other revenue to local economies. If this public-private partnership is set back, low-income households, local communities, and the economy will suffer.

We are proud of the Housing Credit's record of success in serving millions of people who need housing, and we support efforts now underway in Congress and the states that will enable the program to do more to address the nation's affordable housing crisis.

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**Affordable Housing Investors Council**  
**Affordable Housing Tax Credit Coalition**  
**Community Housing Partners**  
**Council of Large Public Housing Authorities**  
**Council of State Community Development Agencies**  
**CSH (Corporation for Supportive Housing)**  
**Enterprise Community Partners**  
**Housing Advisory Group**  
**Housing Partnership Network**  
**Local Initiatives Support Corporation**  
**LOCUS: Responsible Real Estate Developers and Investors**  
**Low Income Investment Fund**  
**National Association for County Community and Economic Development**  
**National Association of Affordable Housing Lenders**  
**National Association of Local Housing Finance Agencies**  
**National Association of State and Local Equity Funds**  
**National Council of State Housing Agencies**  
**National Development Council**  
**National Housing and Redevelopment Association**  
**National Housing Conference**  
**National Housing Trust**  
**National Leased Housing Association**  
**National NeighborWorks Association**  
**NeighborWorks America**  
**Smart Growth America**

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