

Low Income Housing Tax Credit Tool Kit

May 2, 2017

Contents

Background	2
What You Can Do	3
Talking Points and Q&A	4
LIHTC Expert List	7

Not for public distribution. May be shared within organizations and with partners.

Background

- Frontline and NPR are jointly planning a show that will air on public television and public radio on affordable housing policy. The Frontline program is entitled “Poverty, Politics and Profit” and is set to air beginning on May 9. We expect one or more segments on the NPR show “Morning Edition,” and/or “All Things Considered” will also be broadcast that week.
- We expect the program to cover the affordable housing crisis overall, the Low-Income Housing Tax Credit (Housing Credit), the Section 8 voucher program, fair housing, the unassisted market and potentially other issues.
- We expect the programs may draw unfair conclusions about our efforts to develop affordable housing using the Housing Credit, and to make assertions that are fundamentally untrue.
- Several affordable housing practitioners and advocates have attempted to address some of the expected criticisms throughout the production process. It is possible that the Frontline correspondents will take into account the information we have given them and move them away from their unfounded criticisms, but at this point we have to prepare for the worst.
- Specifically, based on our extensive interaction with the Frontline correspondents, we expect four unfounded criticisms of the Housing Credit program:
 1. The cost of the Housing Credit program has risen, while unit production has decreased; and this trend is due to developers, syndicators and investors reaping excessive and ever increasing profits.
 2. Fraud in the Housing Credit program may be widespread.
 3. There is insufficient oversight over the program.
 4. Affordable housing efforts perpetuate concentration of poverty and racial segregation.
- The following toolkit can help you respond to these criticisms and questions that you may receive before the shows air. We will release additional materials afterwards based on the specific content.

Not for public distribution. May be shared within organizations and with partners.

What You Can Do

- Refer to the talking points and QA below to help answer questions about the show.
- Follow these general principles for handling negative coverage:
 - First do no harm. Do not call attention to the show with people who would not hear about it otherwise.
 - Stay calm and keep perspective.
 - Avoid fanning the flames online by sharing the show or thoughts about it on social media.
 - Handle concerns in person or by telephone when possible.
- Be aware that you may get calls from local media who want to do a follow-up story with a local angle. If you get a call from a local reporter, please alert a designated spokesperson.
 - Make sure that you are prepared to speak with a reporter before you do. The below talking points are a guide. If you have additional questions or want additional guidance, please reach out to any of the contacts listed at the end of this document.
 - It's okay to tell the reporter you will get back to them if you don't know or aren't sure about the answer to their question. Don't guess or speculate.
 - You can also reach out to the experts listed at the end of this document for questions, or refer reports to them for additional comment.
- Be prepared to showcase examples of high-quality Housing Credit projects in your area. Talk about how they have improved the community, who they are serving, and offer to bring reporter to see the properties.
- Connect reporters with vetted residents who are willing to tell their story.
- Also be prepared with local information about who has been served, how many units have been built, what kinds of neighborhood improvements have been made, etc. See the [ACTION Campaign's fact sheets](#) for data about the impact of the Housing Credit in every state and congressional district.
- Refer to the [ACTION Campaign website](#) for additional talking points and materials to help you promote the Housing Credit.
- ***Please do not publicly respond to or rebut the Frontline story before it airs.***

Talking Points and Q&A

Talking Points

- We are aware of the Frontline and NPR segments on affordable housing and the Low Income Housing Tax Credit (“Housing Credit”).
- As a general matter, we appreciate media attention on the nation’s affordability crisis. We agree that too few low-income families are able to afford their homes and believe the Housing Credit should be expanded to better meet a growing need.
- Based on extensive engagement with the producers and the recent promotions for the show, we expect the piece may be sensationalistic, draw unfair conclusions about the Housing Credit and make assertions that are fundamentally untrue.
- The Housing Credit has successfully provided roughly 3 million affordable homes to low-income families, seniors, people experiencing homelessness, people with disabilities and veterans, over the last 30 years and has been cited by many independent experts for its effectiveness.
- We are proud of the work that we do every day to create affordable housing in the U.S. and the crucial role the Housing Credit plays in our endeavors.

Q&A

1. How do you know what is going to be in the segment?

We don’t know exactly what will air, but industry representatives have engaged extensively with the producers to answer their questions and provide information. The previously noted assertions have been made multiple times during those conversations leading us to believe that the same assertions could be made during the segments.

2. What is our response to the show’s inaccurate assertions about the program?

- Claim: Developers, syndicators and investors are increasingly and excessively profiting from the tax credit program, at a cost to both taxpayers and those in need of affordable housing.
 - Response: It is true that the total number of rental homes produced compared to available Housing Credit authority has generally trended downward since the late 1990s. However, the reporters have falsely assumed that fewer units are being produced because investors, syndicators and developers are taking more profits from the program.

In fact, the available information shows that profits (rates of return to investors and fees earned by syndicators) have steadily gone down over time – in part because stiff competition limits profits – and developer fees are strictly controlled by HFAs. Instead, the trend toward less unit production is due to higher construction costs, deeper income targeting and reduction in public subsidies – all of which requires more Housing

Not for public distribution. May be shared within organizations and with partners.

Credits to fill the gap. The industry provided Frontline with information on all of the above in extensive detail.

- Claim: Fraud in the Housing Credit program may be widespread.
 - Response: Frontline has no evidence to back up this claim. In fact, we know of just a handful of cases of fraud, which were prosecuted swiftly once discovered, over the program's 30-year history. While even one case is too many, we believe that fraud in this program is rare. The multiple parties involved in each transaction and the checks and balances that exist in the program help ensure compliance to a greater degree than many other programs. Nonetheless, we support ongoing efforts by state allocating agencies, working with the accounting industry, to tighten auditing standards in connection with required cost certifications.

- Claim: There is insufficient oversight over the program.
 - Response: Federal law gives primary oversight responsibility to the states who partner with the federal government—specifically the U.S. Treasury through the Internal Revenue Service—in the oversight and administration of the Housing Credit program. In addition, in order to protect their investments and guard against recapture of tax credits, investors and syndicators do regular and thorough asset management to ensure that compliance with the income and rent restrictions and the financial viability of the property. However, should Congress determine that additional IRS program oversight is needed, the Housing Credit community stands ready and willing to work towards its development and implementation.

- Claim: Affordable housing efforts perpetuate racial and economic segregation.
 - Response: In fact, several studies show that the Housing Credit either reduces segregation or has little effect on segregation. Other studies also show that the Housing Credit has reached low-poverty neighborhoods more effectively than earlier HUD-subsidized affordable housing production programs. A [recent HUD report](#) also found that state Housing Credit allocating agencies have in recent years increasingly prioritized Housing Credit developments in high-opportunity areas. And the Affordable Housing Credit Improvement Act of 2017, which the affordable housing industry broadly supports, also includes several provisions that would facilitate Housing Credit development in high-opportunity areas.

However, it is also still important 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. Any implication that we should no longer invest in inner-city and higher poverty areas in particular could lead, perhaps unintentionally, to the kind of redlining that housing policymakers around the nation have rightfully outlawed. Indeed, research shows the Housing Credit revitalizes low-income neighborhoods and increases racial and income diversity and public safety there.

Not for public distribution. May be shared within organizations and with partners.

3. Are you concerned that this criticism could affect our work?

We are deeply concerned that inaccurate information about the Housing Credit could have seriously damaging consequences for the low-income families we serve. Affordable housing development, which benefits millions, could slow substantially if policymakers make decisions about its allocation levels or governing rules and regulations based on misinformation.

4. What groups have expressed concern about the Frontline program?

Several leading Housing Credit practitioners and advocates have raised concerns about the Frontline program to the show's producers. They include the Affordable Housing Investors Council, the Affordable Housing Tax Credit Coalition, the Housing Advisory Group, the Housing Partnership Network, Make Room, Inc., the National Association of Affordable Housing Lenders, the National Association of Home Builders, the National Association of State and Local Equity Funds, the National Council of State Housing Agencies, the National Housing Conference, the National Housing Trust, and Stewards of Affordable Housing for the Future.

5. What positive information can I share about the Housing Credit program?

- Since 1986, the Housing Credit has led to the development of more than 3 million affordable homes, serving an estimated 14 million low-income people.
- It has provided affordable housing to all 50 states and all types of communities, including urban, suburban, and rural.
- The Housing Credit accounts for the vast majority of the country's new rental housing affordable to low-income people and is essential to our efforts to preserve the nation's existing affordable housing stock.
- In its 30 year history, the Housing Credit has generated \$310 billion in local income, \$122 billion in tax revenues and 3.25 million jobs. Today, it generates 96,000 jobs annually and \$3.5 billion in taxes and other revenue to local economies, according to the National Association of Home Builders.
- Housing Credit properties are built and operated responsibly. The cumulative foreclosure rate on Housing Credit properties over 30 years has been less than 1% -- the best performance of any real estate asset class. This performance is directly attributable to the involvement of private investors, which can claim the tax credits only if properties meet federal requirements.
- The Harvard Joint Center on Housing Studies has characterized the program as the most successful affordable housing program in our nation's history.
- ***Note: Please also share your own experiences and positive stories and examples in your area.***

Not for public distribution. May be shared within organizations and with partners.

Housing Credit Expert List

The following experts have agreed to speak with the media about the Housing Credit on the topics listed by their name. Please feel free to provide these names to reporters who have detailed and nuanced questions on these topics.

Housing Credit Production and Industry Profits

- Michael Novogradac, managing partner at Novogradac & Company LLP
(Michael.Novogradac@novoco.com)

Oversight and Fraud

- Barbara Thompson, Executive Director, NCSHA (BThompson@ncsha.org)

Fair Housing

- Buzz Roberts, President and CEO, NAAHL (broberts@naahl.org)
- Mark Shelburne, Senior Manager, Novogradac & Company LLP
(Mark.Shelburne@NOVOCO.COM)

Any Other Issues

- Richard Goldstein, Nixon Peabody/Affordable Housing Tax Credit Coalition
(rgoldstein@nixonpeabody.com; 202-585-8730)