



July 29, 2011

The Honorable Tom Coburn, M.D.
United States Senate
172 Russell Senate Office Building
Washington, DC 20510

Dear Senator Coburn:

The National Council of State Housing Agencies (NCSHA) respects your efforts to contribute to and forge consensus around proposals to reduce the federal deficit. However, we take serious issue with recommendations you put forward in your *Back in Black* plan to eliminate the Low Income Housing Tax Credit (Housing Credit) and the HOME Investment Partnerships (HOME) program and to seriously curtail the federal government's investment in affordable housing overall. We ask that you withdraw your Housing Credit and HOME recommendations from the debate, or at least correct the serious misinformation your report contains about these programs and their records.

NCSHA represents the Housing Finance Agencies (HFAs) of the 50 states, the District of Columbia, New York City, and the U.S. Virgin Islands. Our member agencies are essential partners with the federal government in the delivery of affordable housing, administering the Housing Credit, HOME, and a wide range of other federal housing programs with outstanding results. NCSHA is a nonprofit, nonpartisan organization that represents HFA interests in Washington.

Using the Housing Credit, HOME, and other housing resources, HFAs have contributed mightily in recent years to the housing and economic recovery, producing tens of thousands of affordable, sustainable homes, while generating jobs, tax revenue, and consumer spending. Today, these programs are needed more than ever, not only to help strengthen the still fragile recovery but also to respond to our country's persistent and ever-growing need for affordable homes. This serious need has been made even more urgent by the aftermath of the housing crisis, which has put a further strain on our already severely inadequate affordable rental home supply, cut off access to affordable credit, and left communities ravaged by scores of foreclosed and deteriorating homes.

HFA-administered and other federal housing resources generate housing and economic activity that would not otherwise occur. The National Association of Home Builders estimates that the Housing Credit alone annually produces 90,000 new, full-time jobs, adds \$6.8 billion to the economy, and contributes approximately \$2 billion in federal tax revenue. In addition, these programs create affordable housing opportunity for the millions of families in our country today who pay more than half of their income for housing, live in substandard and overcrowded conditions, or have no housing at all.

NCSHA and our member HFAs are particularly troubled that your report calls for the elimination of the Housing Credit and HOME, which are widely considered two of the most successful federal housing programs ever, in part because of the unique strengths they share, including:

- Empowering states to decide how to best respond to their unique housing needs;
- Combining through state HFA administration public purpose, oversight, and accountability, with sophisticated and rigorous financial underwriting, market analysis, and compliance oversight;
- Producing privately owned and managed housing, rather than government-run housing;
- Leveraging private sector investment—raising in the case of HOME almost four dollars for every HOME dollar;
- Targeting assistance only to low-income people, who are unable to afford market-rate housing costs;
- Supporting only the cost of the affordable homes actually produced and provided to income-qualified families;
- Providing affordable housing efficiently, with the Housing Credit, for example, now contributing more than 90 cents on the dollar in many markets to up-front equity to make rental developments possible with rents affordable to low-income families; and
- Bringing strong compliance and oversight to bear on developers, owners, investors, and other funding recipients to make sure federal funds are used lawfully and effectively and their housing outcomes are preserved over time.

Both the Housing Credit and HOME programs enjoy a strong track record of success over their 25 and 20 years, respectively. Together, they have produced well over 3 million homes and add more than another 150,000 each year.

Contrary to your report's claims, these programs are producing and preserving housing that is needed. In fact, even with their substantial contributions, the Housing Credit and HOME together do not begin to meet our country's affordable housing needs. Millions of families still pay excessive amounts of their stagnating incomes for housing and have little money left over for transportation, food, clothes, health care, education, and other essentials. Almost three-quarters of families who qualify for federal housing help do not receive it. Just from 1999 to 2009, the number of affordable homes for rent fell by more than 600,000, according to Harvard University's Joint Center for Housing Studies, which also recently pointed out that the Housing Credit "is nearly alone in replenishing the affordable stock, supporting both new construction and substantial rehabilitation of existing properties including older assisted developments," and that, "apart from new LIHTC units, recent multifamily construction has focused primarily on the high end of the market."

We understand and share your concern that the Housing Credit is challenged to produce rental homes affordable to extremely low-income (ELI) families. However, despite the fact that Congress designed the program to serve low-income working families earning between 50 and 60 percent of area median income (AMI), state HFAs often reach much lower income families, including ELI families, by combining the Credit with HOME and other resources.

Finally, *Back in Black* unfairly cites two other program critiques to support its own. It uses a 2008 Missouri State Auditor report to defend its conclusion that the Housing Credit is inefficient, when the subject of that report is the state's tax credit program, not the federal Housing Credit at all.

The report also points to recent *Washington Post* articles critical of the HOME program, even though the articles' conclusions have been vigorously repudiated by the Administration, congressional housing leaders, and the broad housing community as seriously distorting HOME's record by focusing on a very small percentage of HOME developments that have not moved forward. The true HOME story is the 1 million quality, affordable homes the program has produced, serving the whole spectrum of need, from homeless to ownership to disaster recovery assistance, from urban to rural areas, and all low-income populations, including families with children, the elderly, and people with special needs.

The *Post* articles also neglect to include in their discussion of delayed HOME developments the impact of the current housing and economic crisis, which has upended many planned developments, as well as some HOME ones. HUD found in its analysis that more than half of those developments that can correctly be identified as delayed were behind due to

market conditions. The attached letter from NCSHA and 40 other groups to congressional housing leaders responds to all of the articles' invalid assertions.

NCSHA and our member HFAs appreciate your interest in reducing the federal deficit and ensuring proper stewardship of taxpayer dollars. We are confident that the Housing Credit and HOME programs merit support with those concerns in mind and urge you to preserve the Housing Credit and HOME programs, so they continue to build on their solid legacies of producing decent, affordable homes for people who so desperately need them.

Sincerely,

A handwritten signature in blue ink that reads "Barbara Thompson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Barbara Thompson
Executive Director