

Transcript

Poverty, Politics and Profit

VIEW FILM ([HTTPS://WWW.PBS.ORG/WGBH/FRONTLINE/FILM/POVERTY-POLITICS-AND-PROFIT/](https://www.pbs.org/wgbh/frontline/film/poverty-politics-and-profit/))

LAURA SULLIVAN, NPR: *[voice-over]* I never imagined that a story about low-income housing would lead me here, to an upscale resort in Costa Rica. Los Suenos is a dream world, with fancy condominiums and private villas, a first-class hotel, golf course and its own private marina.

I'd come here because our investigation into the money spent to house the poor had taken us into a hidden world of secret bank accounts and shell companies.

But I'm getting ahead of myself. To understand what brought me to Costa Rica, I have to take you back nine months earlier, to where our story begins.

NEWSCASTER: As our city grows, the number of affordable homes is doing the opposite. It's shrinking.

NEWSCASTER: Some are calling it the worst affordability crisis in U.S. history.

LAURA SULLIVAN: Last year, we started spending time in Dallas, in neighborhoods like this, where making rent has been getting more and more difficult.

CONSTABLE: The struggle is real out here. I mean, you know, this is every day for me. It'll wear you down, you know, because you're seeing it every day.

NEWSCASTER: Peoples' rent checks have just been going up and up and up, and I don't see any end in sight.

NEWSCASTER: These are people who have jobs and children—

CONSTABLE: How y'all doing?

NEWSCASTER: They're saying that no matter how hard they work, they still can't find enough here to put a roof over their head.

CONSTABLE: Well, this is the eviction.

MAN: All right.

LAURA SULLIVAN: There are more than 40,000 evictions in Dallas every year.

CONSTABLE: It says she was supposed to pay \$400.

LAURA SULLIVAN: An estimated two-and-a-half million across the country.

CONSTABLE: Yeah, get a couple more people here. You can go ahead and start moving this.

LAURA SULLIVAN: Over the past decade, average household incomes have declined while rents have been rising, and that's pushing more and more people like Carla Powers to the edge.

[on camera] So what happened to you today?

CARLA POWERS: I was at work. I work two full-time jobs. I'm trying. It's a struggle and it's real and it's hard. Seriously. Yes.

LAURA SULLIVAN: How hard has it been to find housing out here that—

CARLA POWERS: Horrible. It's freaking horrible. And that's how I ended up in this slum. I didn't want to be here. I didn't want to be here. I don't have horrible credit, you know what I'm saying? But it's just hard. It's just hard.

LAURA SULLIVAN: *[voice-over]* Like millions of Americans, Carla and her family are caught in the long wake of the 2008 financial crisis.

SHAUN DONOVAN, Secretary, HUD, 2009-14: What happened when we hit the foreclosure crisis is that, all of a sudden, millions of families lost their homes. They became renters competing in the same rental housing market. And at the same time, incomes were going down even if you could keep your job. And that led to a rental affordability crisis in this country that's as bad as it's ever been in our history.

CONSTABLE: Did he come with a dolly?

DIANE YENTEL, Pres., Natl. Low-Income Housing Coalition: We have over 11 million renter households that are paying more than half of their income towards their rent each month. That means that they are, you know, one emergency, one broken-down car, one illness, one missed day of work away from not being able to pay the rent. They're really at risk of losing their homes altogether and becoming homeless.

LAURA SULLIVAN: Every year, the federal government spends nearly \$50 billion to help the poor with rent and get them on the road to better lives.

Over the past year, we've been investigating the two key programs that try to do that to see whether they're working the way they should and why so many people are struggling.

In Dallas and elsewhere, we kept hearing how the largest of the programs, Section 8 vouchers, covers just a fraction of those in need.

NEWSCASTER: Section 8 applications. Thousands of residents have been fighting for a chance to get public housing assistance.

LAURA SULLIVAN: When vouchers are handed out, the response is overwhelming.

NEWSCASTER: Chaos this morning in the parking lot as tempers flare over the city's plan to hand out the Section 8 applications—

WOMAN: We've been here since Sunday morning, Monday morning. It's ridiculous.

LAURA SULLIVAN: The voucher pays the difference between the monthly rent and what renters can afford. More than two million households use them, but wait lists can be years long.

[on camera] Well, how big a deal is it to get a Section 8 voucher?

DIANE YENTEL: Only one in every four households that are eligible for and in need of housing assistance get it.

NEWSCASTER: It was a dangerous scene. Thousands of people hoping for Section 8 vouchers ran for a spot in line.

DIANE YENTEL: They're hoping to win what is essentially a housing lottery. So it's the 25 percent who have the vouchers that are the lucky ones within this kind of a system.

LAURA SULLIVAN: *[voice-over]* I wanted to see how Section 8 would work out for three of the lucky ones in Dallas, which like many cities, has a tight rental market. Farryn Giles and her son have been staying at her ex-husband's apartment for the past two months.

FARRYN GILES: *[to child]* We've got to walk kind of fast, too, because you're not going to get to school on time for breakfast. You've got keep up.

LAURA SULLIVAN: She's held a variety of jobs since moving to Dallas seven years ago.

FARRYN GILES: I've been a cashier, I've been a stocker, I've been a caregiver, I've been a welder, I've done clerical work, stuff like that.

Oh, Mom made cupcakes last night!

LAURA SULLIVAN: But even when working, she says it's been hard to find a place she can afford.

[on camera] What did you think when you got the voucher?

FARRYN GILES: I thought, "This is freaking awesome!"

LAURA SULLIVAN: Yeah.

FARRYN GILES: I felt like it was an opportunity for me to gain more stability. This area in general I would like to get away from.

LAURA SULLIVAN: What is it about getting out of this neighborhood?

FARRYN GILES: Work. Work. I want to live near a place where there are better job opportunities. Yeah, took me six years to get my voucher, but I got it. You can best believe I'm going to utilize it.

[on the phone] Do you guys accept the Section 8 vouchers?

LAURA SULLIVAN: *[voice-over]* Linda Higgins says one unexpected event upended her life, leaving her so distraught that keeping jobs has been difficult.

LINDA HIGGINS: I was working at JCPenney. And my son died in 2002. I started living with different people in the family, not able to afford to pay rent.

LAURA SULLIVAN: *[on camera]* It sounds like that Section 8 voucher means a lot to you.

LINDA HIGGINS: It does. I haven't had a place of my own for— since 2002.

LAURA SULLIVAN: Is it scary that it can all fall apart?

C'ARTIS HARRIS: That's why we had to go to the shelter.

LAURA SULLIVAN: *[voice-over]* I met C'Artis Harris in a Walmart parking lot in South Dallas.

C'ARTIS HARRIS: Because they were called. They were called.

LAURA SULLIVAN: C'Artis has seven kids and was living in a shelter. But before that, she says, they often lived here, in her van.

[on camera] You slept in here with seven kids for a couple of months?

C'ARTIS HARRIS: It wasn't like, all the time with all of them, but yes, at some point in time, we was. Like, sometimes I was trying to find a motel or other people's houses to sleep in. If it wasn't, like, panning out, we would, you know, go find somewhere to park and sleep in my van.

LAURA SULLIVAN: What do you say to the kids? They understand? Because they know.

C'ARTIS HARRIS: Yeah.

LAURA SULLIVAN: They know you're trying. Do you have an area you don't want to live in?

C'ARTIS HARRIS: The hood— like, the hood!

LAURA SULLIVAN: Why not?

C'ARTIS HARRIS: Why? Because I don't feel like dealing with it. I don't want somebody breaking into my house or, like, trying to beat up my children or break into my car. You get into it with somebody, you got to deal with that.

LAURA SULLIVAN: You want out.

C'ARTIS HARRIS: Yeah. Like, I'm tired of it. Like, why wouldn't I want better? In fact, I've went from an apartment to living in my van to living in a shelter. Like, yeah, I'm not going to go backwards. I'd rather go forward, you know?

You going to press the button, Carla. You press the button for Mama.

LAURA SULLIVAN: *[voice-over]* We kept in touch with Farryn, Linda and C'Artis as they tried to find a place that would take their vouchers. They have up to 90 days or they'll lose them. And what they're hoping for is one of the main goals of the Section 8 voucher program, the chance to move to neighborhoods with better opportunities.

MARYANN RUSS, Fmr. CEO, Dallas Housing Authority: Researchers from Harvard and Stanford took a look at this and found, conclusively, for the younger kids, they're significantly more likely to finish school, go to college, finish college, get better jobs, earn more money, not have teen pregnancies, not get involved in crime and drugs. And the younger the kids are when the families make the move, the bigger the impact. Zip code is destiny. That's no joke.

LAURA SULLIVAN: One of the hottest Zip codes in Dallas is the northern suburb of McKinney. Three years ago, it was ranked the best place to live in America by *Money* magazine. Today, the area is booming. New apartments are popping up everywhere.

I was meeting a developer who's trying to bring more low-income housing to the community.

[on camera] Hi, I'm Laura.

TERRI ANDERSON, Developer: Hi. Terri Anderson.

LAURA SULLIVAN: Nice to meet you, Terri.

[voice-over] Terri Anderson has spent her career in the field of affordable housing. She's building an apartment complex here between McKinney and the neighboring city of Frisco.

LAURA SULLIVAN: *[on camera]* Can we see it?

TERRI ANDERSON: Yes. Let's go.

LAURA SULLIVAN: All right, so tell me what's this going to look like.

TERRI ANDERSON: It'll be two very large buildings and—

LAURA SULLIVAN: *[voice-over]* Anderson's plan is to build 132 apartments.

TERRI ANDERSON: It's Class A construction, and we're really excited about it.

LAURA SULLIVAN: Some market rate, some at reduced, or affordable, rates, and some units set aside for Section 8 vouchers.

But her plan hit a roadblock with the Frisco city council.

TERRI ANDERSON: We thought we were going to have support, and instead, the city actually called a public hearing for our property and about 250 angry residents showed up.

LAURA SULLIVAN: Some residents voiced concerns about traffic, others about overcrowding in their schools.

[on camera] Nice to meet you.

NICOLE HUMPHREY: Hi. Nice to meet you.

LAURA SULLIVAN: *[voice-over]* And some were worried about having low-income housing in their neighborhood.

[on camera] Well, why did you pick this spot?

[voice-over] Nicole Humphrey is a local opponent of the development.

LAURA SULLIVAN: *[on camera]* What is your concern when it comes to Section 8 and low income?

NICOLE HUMPHREY: The lifestyle I feel like that is— goes with Section 8 is usually working single— either single moms or people who are struggling to keep their heads above water. And it's not— I feel so bad saying that, but it's not— it's just not people who are, I guess, of the same class as us, which sounds bad, but I don't mean that in a bad way.

LAURA SULLIVAN: Some people would say, you know, "Look, they maybe not— have not had the opportunities. Their kids are not going to have the opportunities that your kids are going to have in this neighborhood."

NICOLE HUMPHREY: Right.

LAURA SULLIVAN: Can they share in that?

NICOLE HUMPHREY: The— the problem with that is I hear a lot of the unfair of, "Oh, we haven't been given this or that or we haven't been afforded things that you might have been afforded." I don't look at multi-millionaires and think, "Why don't I have a yacht? Why don't I have a private jet?" It's— it's a mindset, I feel like.

LAURA SULLIVAN: Do you think that you maybe are stereotyping the folks?

NICOLE HUMPHREY: Oh, I totally am, 100 percent! It's not— it works both ways. I— I'm definitely not a racist and I'm not bigot, but I— I think I hold a little bit of a stigma against people who are different. We don't want no-mads. We don't want people who don't have roots. I just don't want that to be what my community is about.

[Frisco City Council meeting audiotape]

CITY COUNCIL MEMBER: OK, Let's go right into whether to provide Anderson Development Construction LLC with a letter of support.

LAURA SULLIVAN: *[voice-over]* A vote on whether to help Anderson get the money she needed was brought before the Frisco city council in March of 2015.

CITY COUNCIL MEMBER: I can't support apartments.

CITY COUNCIL MEMBER: I couldn't do that at this time.

CITY COUNCIL MEMBER: I don't see anything in this development that helps us take it to the next level.

LAURA SULLIVAN: The opponents won the day.

CITY COUNCIL MEMBER: OK, motion passed 6-zero to deny. *[applause]*

LAURA SULLIVAN: But even without local support, Anderson was able to line up loans and grants to move forward with construction. Then, more problems.

TERRI ANDERSON: Our superintendent has been threatened, issued a warning, a criminal trespass warning. The police have actually blocked our entrance.

LAURA SULLIVAN: *[on camera]* Have you ever seen anything like this in the years that you've been developing?

TERRI ANDERSON: I have not.

POLICE OFFICER: There's an issue with some building on the easement and the right of way.

LAURA SULLIVAN: *[voice-over]* Frisco city officials say they support affordable housing and aren't trying to stop Anderson's project. They just want her to comply with the city's building rules. Anderson complained to the Department of Housing and Urban Development, which is now investigating whether her project is being discriminated against.

TERRI ANDERSON: It is a concerted effort to shut down development of a property they do not want in their neighborhood.

LAURA SULLIVAN: Two years ago, just miles away—

POLICE OFFICER: Get on the ground!

KID: Hold on, sir!

LAURA SULLIVAN: —a confrontation between McKinney police and black youth went viral.

POLICE OFFICER: See the girl right there?

LAURA SULLIVAN: The incident became another flashpoint over policing and race. But behind this confrontation were tensions over housing.

NEWSCASTER: What was happening at that pool party was you had white patrons of the pool shouting at black patrons, "Go back to your Section 8 housing."

KID: Then they started verbally abusing, telling me I need to go back to my Section 8 home and stuff like that.

POLICE OFFICER: On your face!

LAURA SULLIVAN: The McKinney pool party was a reminder of how inseparable housing and race have been and of federal policies that divided our cities more than 80 years ago.

RICHARD ROTHSTEIN, Author, *The Color of Law*: In 1933, the Public Works Administration began to build public housing. And the important thing to know about this is they built segregated public housing in cities across the country that had never known segregation before.

LAURA SULLIVAN: Then in the 1940s and '50s, the government bankrolled a mass migration to the suburbs.

RICHARD ROTHSTEIN: The Federal Housing Administration subsidized single-family homes outside central cities for white families only.

NEWSREEL ANNOUNCER: Two thirds of the people in our country now live in a metropolitan area. Mostly, the growth is in the suburbs.

RICHARD ROTHSTEIN: At the same time, industry left urban areas. So poverty became even more concentrated, making low-income segregated neighborhoods even more desperate economically than they had been previously.

PROTESTER: Are we going to sock it to 'em now? Are you ready?

LAURA SULLIVAN: By the 1960s, the segregation and desperation boiled over.

PROTESTER: Sock it to 'em, freedom fighters! Ooh! Ah!

LAURA SULLIVAN: Race riots swept the country.

SHERRILYN IFILL, Pres., NAACP Legal Defense Fund: Segregation was something that was eating us away. Most of the focus of Civil Rights work had been in the South. But by the mid-'60s, we were making that turn towards the North. And in the North, segregation was the issue, housing segregation in particular.

PROTEST LEADER: We want a strong fair housing bill, and that's the only thing that's going to make this stop!
[cheers]

SHERRILYN IFILL: And so it's no mistake that the Fair Housing Act, which had been stalled in Congress, is passed just days after Martin Luther King is assassinated.

LAURA SULLIVAN: The act outlawed all discrimination in housing, and went further.

SHERRILYN IFILL: The Fair Housing Act was now saying, "We're going to aggressively and affirmatively look for ways to create opportunities for integrated housing and to encourage local jurisdictions to do so."

LAURA SULLIVAN: Within years, as conditions in public housing deteriorated, new alternatives were enacted, like Section 8 vouchers.

DIANE YENTEL, Pres., Natl. Low-Income Housing Coalition: So the Section 8 voucher program was created to continue assisting low-income people with their housing cost needs, right? So households could take their voucher and move to a higher-income, higher-opportunity neighborhood.

LAURA SULLIVAN: Vouchers would help some of the poor pay their rent. But as old public housing projects came down, new affordable options were needed. And by the early 1990s, the government had launched a new construction program, relying on the private sector. It was called the Low-Income Housing Tax Credit.

SHAUN DONOVAN, Secretary, HUD, 2009-14: And so the idea of the low-income housing tax credit emerged as a way to create a new public-private partnership that would allow more affordable housing to get built.

LAURA SULLIVAN: The program would spur billions of dollars in private investment to remake the image of public housing. It would also open the door to a whole new set of players and politics.

[on camera] So you both were interested in the same thing.

[voice-over] Back in Dallas, I met developers who were among the earliest to see opportunity in the new tax credit program. Together, Brian and Cheryl Potashnik became some of the most successful affordable housing developers in the country.

BRIAN POTASHNIK: I think at one time, we were ranked in the top 10 and the largest in the state.

LAURA SULLIVAN: They got their start in the neglected neighborhoods of South Dallas, areas where the demand for affordable housing was greatest and the tax credit program was set up to help.

The Potashniks showed me how the program works. The IRS gives billions in tax credits to the states. Then the states award the credits to developers.

[on camera] And this is you guys?

BRIAN POTASHNIK: Yes.

LAURA SULLIVAN: *[voice-over]* Who sell them for cash to investors, mostly banks. The developers use the cash to help build apartment buildings. And because taxpayer money pays for most of it, they can charge the lower rents that are required.

CHERYL POTASHNIK: It's like when you buy a house, you have to put a down payment. That's your equity. That's— the tax credits give us the equity to build the apartment complex.

LAURA SULLIVAN: *[on camera]* Could you build these properties without tax credits?

BRIAN POTASHNIK: No.

CHERYL POTASHNIK: No. And it wouldn't be possible to build the quality of housing without the tax credits.

NEWSCASTER: Dallas mayor Laura Miller cut the ribbon for the development—

LAURA SULLIVAN: *[voice-over]* By the early 2000s, the Potashniks were making millions off their developments and looking for new opportunities beyond the inner cities.

CHERYL POTASHNIK: You know, we didn't have a very scientific process for how we found land. We'd get in the car and drive around. But we started driving north and west instead of south.

LAURA SULLIVAN: *[on camera]* And what did you find when you got north?

CHERYL POTASHNIK: We found a good site.

LAURA SULLIVAN: *[voice-over]* That site was in the northern suburb of McKinney.

[on camera] What kind of pushback did they get?

BETSY JULIAN, Inclusive Communities Project: Just, "Hell, no, you can't come."

LAURA SULLIVAN: *[voice-over]* Many argued that there was already enough low-income housing in the community. But Betsy Julian, a leading Dallas civil rights attorney, says she heard other reasons at a public hearing in McKinney in 2003.

BETSY JULIAN: I went to the ladies' room. And if you want to hear really ugly racial stuff, go into the ladies' room at one of those hearings .

LAURA SULLIVAN: *[on camera]* What were they saying?

BETSY JULIAN: Oh, I'm not going to repeat what they were saying. But they were talking about how the tax credit deal would have to have Section 8 because that's what they really were afraid of.

LAURA SULLIVAN: *[voice-over]* The Potashniks tried to get around the opposition and negotiate a political deal.

CHERYL POTASHNIK: We had hired a consultant who was a state senator, who was also a lawyer.

BRIAN POTASHNIK: And a consultant.

CHERYL POTASHNIK: And a consultant. And he got us an appointment with the lieutenant governor. But then we were told that we needed to hire another consultant, but we couldn't know who that consultant was.

LAURA SULLIVAN: *[on camera]* You had to hire somebody whose name you were not allowed to know?

CHERYL POTASHNIK: To lobby the governor.

BRIAN POTASHNIK: We would get calls from consultants. "Look, I know the governor, I know the senator. I know this one. I can help you here." I mean, it— just rampant.

LAURA SULLIVAN: It's just, "Pay me this amount and don't worry about how I do it."

BRIAN POTASHNIK: Right, don't ask.

LAURA SULLIVAN: Don't ask.

[voice-over] Their deal fell through, and their development plans to build in other communities that didn't want low-income housing generated broader opposition. Soon, Texas began requiring letters of support from local and state officials to help get tax credit deals done.

[on camera] What did that mean for the projects, when you had to get a letter of support?

BRIAN POTASHNIK: Well—

CHERYL POTASHNIK: It basically meant that if the neighborhood didn't want it, that property was not going to get built.

LAURA SULLIVAN: *[voice-over]* The letters of support gave politicians more power to determine the fate of developments, so the Potashniks doubled down to try to get the political buy-in they needed.

NEWSCASTER: Developer Brian Potashnik has the mayor's ear when it comes to meeting the city's need for 30,000 affordable housing units—

BRIAN POTASHNIK: So I found myself spending a lot of time at City Hall, talking to a lot of politicians.

NEWSCASTER: It all began years ago, when—

LAURA SULLIVAN: *[voice-over]* Getting those letters of support became a high-stakes political game. And in 2007, 14 people, including the Potashniks, were charged in a bribery and corruption scandal, the largest in Dallas City Hall history.

NEWSCASTER: Experts say it suggests the Potashniks funneled bribes through a conspiracy for apartment construction approval—

LAURA SULLIVAN: *[on camera]* It was a corruption case. You were accused of being in a pay-to-play situation. Why did you do it?

BRIAN POTASHNIK: If you want to use that term, then it becomes about access, and especially when the system itself is set up so that you need those people to approve what it is that you're doing in order to do business.

CHERYL POTASHNIK: There was a lot of pressure coming from a lot of different places. Certain decisions were made. Certain things happened. And we should have walked away at some point from that pressure. We— and we should have sacrificed those— those projects that were in question and just gone in a different direction. But you know, we didn't.

LAURA SULLIVAN: *[voice-over]* They pleaded guilty to conspiracy to bribe local officials.

NEWSCASTER: Brian Potashnik dashed away after receiving his sentence of 14 months in prison. His wife, Cheryl, was given two years of probation as this Dallas City Hall corruption scandal draws to a close.

LAURA SULLIVAN: Nearly 20 states now rely on letters of support to help decide which projects to give tax credits to. Civil rights lawyers Mike Daniel and Betsy Julian say that's a major reason why so many projects end up in low-income neighborhoods.

[on camera] Why were the tax credit projects being put in low-income areas?

MICHAEL DANIEL, Civil Rights Attorney: They were being put there because it's easier to do. There won't be any opposition to it, and you don't have everybody mad at you. You get your deals done.

LAURA SULLIVAN: *[voice-over]* After examining the tax credit program, they calculated that more than 90 percent of family developments in Dallas had been built in high-poverty areas over a 25-year period.

They filed a lawsuit against the state that went all the way to the Supreme Court and helped set standards for fair housing nationwide. And in 2014, they sued the Department of Treasury, claiming the tax credit program perpetuates racial segregation.

BETSY JULIAN: Our case was about the fact that tax credit properties were only going into low-income minority areas of the city of Dallas. And we were looking to get tax credit housing into some higher-opportunity areas, as well, which were predominantly whiter areas.

LAURA SULLIVAN: That case is still ongoing, but it highlights challenges to affordable housing around the country and raises questions about whether the tax credit program is working as it's supposed to.

Last November, I went to Chicago for an annual gathering of the tax credit industry. It takes a lot of players — bankers, brokers, law firms, consultants, developers — to put affordable housing deals together.

Over the past 30 years, housing tax credits have helped build more than two-and-a-half million affordable units. The program costs about \$8 billion a year, an amount that's been growing. But that hasn't kept up with the need for affordable housing, and that lack of housing makes for a booming market.

Stacie Nekus is a vice president for one of the largest brokers or syndicators.

STACY NEKUS: Well, the affordable housing market has been very robust, and so investors really like it.

LAURA SULLIVAN: *[on camera]* Why do the investors like it so much?

STACIE NEKUS: Well, I think you're giving back to the community, but you're also able to get a good after-tax yield.

LAURA SULLIVAN: How's business right now?

JOHN GILMORE, Key Bank: Very strong.

LAURA SULLIVAN: Yeah?

JOHN GILMORE: Yeah, demand is off the charts.

LAURA SULLIVAN: *[voice-over]* The program is often described as a win-win. Poor people get good quality affordable housing, and the private sector makes money.

Rick Lazio, a former congressman, now lobbies for the industry.

RICK LAZIO (R), Fmr. New York Congressman: People ought not to be getting rich off of this, but they ought to be incentivized to put their capital at risk and to feel as though they can get a reasonable return.

LAURA SULLIVAN: *[on camera]* Is this the most efficient program?

STACIE NEKUS: This is 100 percent the most efficient way to do it. It gets the most amount of units built, which is what is required. You have a lot of different eyes on it because, again, you have the public and private partnerships, so everyone's looking at it.

LAURA SULLIVAN: *[voice-over]* We were looking at it, too. With so many people struggling to find housing, we wanted to see how well the program's been working. We analyzed available data about the primary tax credits given out over the last 20 years, and here's what we found.

From 1997 through 2014, the number of units produced has fallen from more than 70,000 to less than 59,000, but the program is costing taxpayers 66 percent more in tax credits. That's after adjusting for inflation. The estimated rise in construction costs only accounts for about half of that.

We asked representatives of the tax credit industry about what we found and reached out to more than 20 top investor and syndicator firms. None would agree to an interview.

But in written responses, the industry said that several factors have affected tax credit production, such as the loss of other federal funding, or soft subsidies, and the increased costs of trying to help the poorest renters. They also claim the business is less profitable than it used to be.

[on camera] So these are just our numbers, right, and—

[voice-over] We took our findings to the group that represents the state housing agencies that oversee the program.

MARY TINGERTHAL, Natl. Council of State Housing Agencies: I think there are good reasons that the programs produced fewer units. And some of those is that we're trying to produce more units in areas of opportunity, areas that are perhaps more expensive. We're also trying to do things like ending homelessness.

So the low-income housing tax credit program has a 30-year proven track record, and it's produced good housing that's very well run.

LAURA SULLIVAN: But not everyone is convinced. Republican senator Charles Grassley is investigating the program.

Sen. CHARLES GRASSLEY (R), Iowa: My suspicion is that there's a lot of things wrong with the program. It may not be serving all the people it should serve. There may be people in the middle getting more than they should. You would think that this would be something the IRS would be looking into because they have to police to see

whether the money is serving the purpose it's supposed to serve.

LAURA SULLIVAN: *[on camera]* And are they policing?

Sen. CHARLES GRASSLEY: No, they aren't. There's only been seven audits in 29 years. Well, if you aren't following the money, how do you know that the low-income housing tax credit is working?

LAURA SULLIVAN: *[voice-over]* That's what we were doing. And that took us to Miami, where we found a troubling story about the tax credit program.

[on camera] This is it. This is nice!

[voice-over] I met up with Michael Cox. He spent 15 years as an affordable housing developer. He showed me one of his prized projects, Labre Place.

It's a \$25 million development with 90 units, half of them for formerly homeless, like Mike Fleneury.

MIKE FLENEURY: You would never know where the people came from in this building.

LAURA SULLIVAN: *[on camera]* Where did they come from?

MIKE FLENEURY: Well, like myself. They was just about to be on the street.

LAURA SULLIVAN: *[voice-over]* South Florida is one of the tightest housing markets in the country and developments like Labre are much in demand.

MIKE FLENEURY: And it's approximately a two to three years' waiting list.

LAURA SULLIVAN: *[on camera]* To get into the building?

MIKE FLENEURY: Yes.

LAURA SULLIVAN: *[voice-over]* It is has a community room, a small gym—

[on camera] This is a great room!

[voice-over] —its own laundry.

MIKE FLENEURY: We leave it open 24 hours because of the residents that work.

MICHAEL COX: Supportive housing actually saves taxpayers money every year because it costs more to have people on the streets using services like emergency rooms, police. And so in the long run, it actually will save taxpayers' money over the lifetime of this project.

LAURA SULLIVAN: But there was more behind the story of Labre. Cox had a partner in the project, the Carlisle Development Group. Carlisle was founded by Lloyd Boggio, a leader in Florida's affordable housing industry, and it was run by his partner's son, Matt Greer.

Together, Carlisle, and Cox's company, Biscayne Housing, became a powerhouse. Between 2006 and 2009, the two companies had more than a quarter billion dollars under development.

MICHAEL COX: Biscayne Housing went from nothing to the number 12 affordable housing developer in the country.

LAURA SULLIVAN: *[on camera]* Wow!

MICHAEL COX: And Carlisle became the number three developer in the country.

LAURA SULLIVAN: In the country at that time.

MICHAEL COX: And it was exciting.

LAURA SULLIVAN: *[voice-over]* But the partnership had problems. Cox says he suspected Carlisle was cooking the books. He discovered documents about secret accounts.

MICHAEL COX: They showed about \$6 million in construction funds had been kept secret.

LAURA SULLIVAN: *[on camera]* How could they have \$6 million in extra funds?

MICHAEL COX: I had no idea.

LAURA SULLIVAN: *[voice-over]* Carlisle's secret accounts would soon get the attention of federal prosecutors.

MICHAEL SHERWIN, Asst. U.S. Attorney, Southern District of FL: This is a Carlisle development that involved Lloyd Boggio and Matthew Greer.

LAURA SULLIVAN: Assistant U.S. Attorney Michael Sherwin has spent nearly five years investigating the tax credit industry in South Florida. As Sherwin and his team dug into Carlisle and Biscayne's construction contracts, they discovered a kickback scheme.

MICHAEL SHERWIN: This is the actual contract that was—

LAURA SULLIVAN: This is how it worked on one Carlisle deal.

MICHAEL SHERWIN: Florida Housing wants to know, "How much is it going to cost you, Carlisle, to actually build this thing?" They tell Florida Housing "We've signed this contract, and it's going to cost \$14,866,000 to build." Now, there's an email between Carlisle and the contractor, and they negotiated this the day before, that, "We're only going to pay you, contractor, \$12,750,000 to build. We're telling the state we're going to pay you \$14,866,000."

LAURA SULLIVAN: *[on camera]* One day later.

MICHAEL SHERWIN: Exactly.

LAURA SULLIVAN: *[on camera]* So they knew a day before they submitted that that the actual construction cost was \$2 million less.

MICHAEL SHERWIN: Correct.

LAURA SULLIVAN: *[voice-over]* Carlisle used the inflated cost estimate to win more tax credits from the Florida Finance Agency.

MICHAEL SHERWIN: It's not a very complicated scheme. It's a lie for money. The contract is inflated. So this lie enabled them to get excess of \$2 million just on this one deal.

LAURA SULLIVAN: By the time they were done, investigators discovered the two companies stole \$34 million from 14 projects.

[on camera] What did you think when you saw the millions of dollars in kickback money?

MICHAEL SHERWIN: It was amazing. I mean, this is a huge amount of money. And this is all on top of the tens of millions that was made in legitimate fees and profits.

LAURA SULLIVAN: *[voice-over]* And prosecutors discovered something else. Nearly \$2 million had been stolen from Labre, the apartments for the homeless, and Michael Cox was a part of it.

MICHAEL COX: They were extorting me, saying, "We will kill these projects unless you agree to this kickback scheme."

MICHAEL SHERWIN: And unfortunately, this is where good people make bad decisions. Michael Cox does not go to Florida Housing. Michael Cox does not go to the FBI. Michael Cox says nothing and accepts the money.

LAURA SULLIVAN: *[on camera]* You spent the next several years taking the money, and a lot of people are going to wonder why you did that. Why did you take it?

MICHAEL COX: I convinced myself that this was OK and that I was building amazing projects in the community. I went from fighting monsters to becoming a monster.

LAURA SULLIVAN: *[voice-over]* I tried to reach the other partners in these developments.

[on camera] Hi, Mr. Boggio—

[voice-over] But none would talk. I wanted to ask them about where that \$34 million went. Some of it was tracked back to Boggio's personal accounts. One was called Caesar and Cleopatra.

MICHAEL SHERWIN: Caesar and Cleopatra— those are the names of his two dogs. Over \$12 million flowed through that one account.

LAURA SULLIVAN: *[on camera]* Through that account that was named after his dogs.

MICHAEL SHERWIN: Correct. Correct.

LAURA SULLIVAN: *[voice-over]* Other kickbacks to Boggio, Greer and Cox came through a cut-out called SSHH Construction.

MICHAEL SHERWIN: This is a fake construction company. They set up SSHH Construction.

LAURA SULLIVAN: It's literally SSHH Construction—

MICHAEL SHERWIN: Correct. I mean—

LAURA SULLIVAN: Like, S-S-H-H, like, Be Quiet Construction.

MICHAEL SHERWIN: It was just used to hide the money.

LAURA SULLIVAN: *[voice-over]* And prosecutors traced some of the money back to Boggio's house.

MICHAEL SHERWIN: I believe his house is valued at \$11 million to \$14 million, his mansion in Coconut Grove. He liked to live a good lifestyle.

LAURA SULLIVAN: Ultimately, Boggio, Greer and Cox pleaded guilty to crimes related to the kickback scheme, a scheme that had gone unnoticed by state housing officials for years.

MICHAEL SHERWIN: These housing agencies don't have a lot of funding. They don't have a lot of manpower. Looking at Florida Housing, it's a small office with a limited staff that is in charge of managing hundreds of millions of dollars in state, local and federal money.

LAURA SULLIVAN: *[voice-over]* So the IRS is relying on the housing authorities to ferret out problems and corruption.

MICHAEL SHERWIN: Correct.

LAURA SULLIVAN: *[voice-over]* In Tallahassee, I went to see the man who was running the agency that oversees the tax credit program in Florida.

[on camera] What was your reaction when you first heard about this investigation?

STEPHEN AUGER, Florida Housing Finance Corp., 2005-16: Certainly, disappointment that anybody would— you know, would do that with programs that, you know, are designed to serve folks in need.

LAURA SULLIVAN: The prosecutor in the case described the agencies have been outmatched when it came to developers with millions of dollars and lots of resources. Do you think that's accurate?

STEPHEN AUGER: Outmatched— you know, most of the folks that we deal with are— are good folks that do good work, you know? Presumably, that's similar in all states. That's why you've got few foreclosures, and you know, and relatively few, you know, scandalous incidents.

LAURA SULLIVAN: I'm trying to figure out if there are so few scandalous incidents because they're not happening or because they're so difficult to catch.

STEPHEN AUGER: There's a lot of financial risk to a lot of folks, you know, for playing that game.

LAURA SULLIVAN: So you feel like this is kind of a one-off, or a bad apple?

STEPHEN AUGER: Yes. Absolutely.

LAURA SULLIVAN: Some of the officials at Florida Housing say that this was a one-time thing, this was an aberration. Do you think that's true?

MICHAEL SHERWIN: No, I mean, I— I don't think it's true. We'll see what the future holds, but there's a lot that needs to be looked at and there's a lot of people that need to be held accountable for what's been going on and what's to come, I think, in the future.

LAURA SULLIVAN: *[voice-over]* Soon, the head of the Florida housing agency we'd interviewed would resign in scandal. And as we kept looking into the tax credit program here, we heard about allegations involving another major affordable housing developer.

PINNACLE PROMO: My name is David Deutch, and I'm one of the co-founders of Pinnacle Housing Group.

LAURA SULLIVAN, NPR: We discovered a company called DAXC was owned by the principals of Pinnacle.

PINNACLE PROMO: —and bring something new to affordable housing—

LAURA SULLIVAN: A source in the development industry told us that DAXC was being used to hide extra profits from Pinnacle projects.

[on camera] So one of the other ones that we're looking at is this DAXC Company, which is— has the same address as another really large Florida developer, Pinnacle, down here in Florida. We've been told through a source that this was a company that didn't actually do any work.

MICHAEL SHERWIN: You know, I can't comment on this. I don't know. Maybe later, but not now.

LAURA SULLIVAN: Because you know this one.

MICHAEL SHERWIN: I can't say I know it, but it's probably best if I don't say anything about this.

LAURA SULLIVAN: *[voice-over]* Turns out Sherwin did know about Pinnacle and DAXC. Three months after our interview, he charged DAXC with stealing federal tax credits. The company signed an agreement with prosecutors admitting it inflated costs by more than \$4 million on four projects. It returned the money and paid a \$1 million fine. Under the deal, the charges will be dropped if the company continues to cooperate with prosecutors.

But we still had questions about DAXC.

[on camera] Definitely the name of a company. I agree. I'm just wondering if it's possible that DAXC is a person in Costa Rica. That's the rumor. The leadership in the company was going down there.

[voice-over] And that's what took our investigation to Costa Rica to see what Pinnacle was doing there.

LAURA SULLIVAN: *[on camera]* Hola. Como estaas. Buscando Daxc Jimenez.

[voice-over] Later that night, just outside the Los Suenos resort, we found Daxc at a beachside restaurant.

LAURA SULLIVAN: *[on camera]* Gracias.

DAXC JIMENEZ: Yes, I am Daxc.

LAURA SULLIVAN: Hola. Mi Llamo Laura.

DAXC JIMENEZ: Laura, nice to meet you.

LAURA SULLIVAN: Nice to meet you, too.

[voice-over] Daxc said he wasn't a Pinnacle business partner. He said he was just a guide and a driver and that they named the shell company after him.

[on camera] They named a company after you.

DAXC JIMENEZ: Yes. They told me that.

LAURA SULLIVAN: They told you!

DAXC JIMENEZ: Yes, they told me. They told me, but I didn't believe.

LAURA SULLIVAN: You didn't?

DAXC JIMENEZ: No, I didn't.

LAURA SULLIVAN: *[voice-over]* He said he had no idea what the company had done.

[on camera] Let me show you what happened.

[voice-over] But he did know the partners had been coming to Los Suenos for years.

[on camera] One of the principal managers.

DAXC JIMENEZ: Principal managers, right.

LAURA SULLIVAN: *[voice-over]* And we found out why. They have a Costa Rican company called Casa Oasis. That company turned out to be a property right here in a secluded area of Los Suenos. At the top of the resort, I found Casa Oasis. It's their multi-million-dollar private villa, where they take vacations, and we learned, have taken bankers and syndicators.

Last week, Florida's housing agency went to court to ban Pinnacle from affordable housing projects for two years, saying the company had used DAXC to engage in fraud. Pinnacle declined our requests for an interview, but told us it would contest the ban and said it did not violate any state rules.

[on camera] Three developers in Florida were charged with stealing from the program. How can the housing finance authorities make sure that that's not happening in their back yards, in their states?

MARY TINGERTHAL, Natl. Council of State Housing Agencies: We really encourage our publics, people who are out in the community, people who are working with developers, to really come to us if they see issues that they think are not right with a project. We just encourage people that if they see something, say something. The other things that we do— we have architects who get the final say when the cost certifications are filed, to check the reasonableness of those costs.

MICHAEL SHERWIN: There's not a lot of documentation provided to the housing agencies and the underwriters other than basic building block documents— the application, contracts, affirmation letters. So it's really a program of trust.

LAURA SULLIVAN: Did you just call an \$8 billion tax program a program of trust?

MICHAEL SHERWIN: Yes, it is a program of trust.

LAURA SULLIVAN: The U.S. attorney in Florida called this is a program of trust. Do you think that's true?

MARY TINGERTHAL: This is a program where communities, states, developers and investors work together. And certainly, there is an element of trust in any development project. I think the vast majority of projects really come through pretty well.

LAURA SULLIVAN: *[voice-over]* The tax credit industry told us that it supports more stringent auditing and doesn't tolerate fraud of any kind.

MICHAEL SHERWIN: The developments are phenomenal, and people need it. There's no need to extract extra money. It's like killing the golden goose. That's what they're doing.

LAURA SULLIVAN: *[on camera]* How widespread do you think the corruption is?

MICHAEL SHERWIN: Look, I don't have the metrics to tell you, but I know that this fraud doesn't just reside in south Florida. There's too much money involved. And you know, based upon information we've looked at, this fraud exists in other jurisdictions.

LAURA SULLIVAN: *[voice-over]* Sherwin says he's now investigating other national developers, as well as bankers and syndicators.

Last December, the Carlisle executives were sentenced. Lloyd Boggio received nearly five years in prison, Matt Greer three years in prison. Michael Cox had to repay the millions he stole and received probation because of his work with the homeless and cooperation with prosecutors.

MICHAEL COX: When costs are inflated, the number of housing units actually produced decreases and we are building less housing.

MICHAEL SHERWIN: I get it. I'm not against you making a profit, and this case isn't a case against capitalism or rich people. This is money that was going to build low-income housing in Florida, and it didn't. The money that they took could have built hundreds of additional extra units, especially at this time. Look, there's a housing crisis

across the United States.

LAURA SULLIVAN: *[on camera]* And you were hurting the homeless people on the street because you were taking money that belonged to them.

MICHAEL COX: Absolutely. We ended up really, really hurting the people we serve and betraying their trust.

LAURA SULLIVAN: *[on camera]* After digging into the tax credit program, this much is clear. There are a number of reasons why it's producing less affordable housing and costing more. But without strong oversight of the billions flowing through the private sector, it's hard to know exactly where it's all going.

Sen. CHARLES GRASSLEY: You've got a bunch of developers and you've got people in between. Nobody's saying they shouldn't benefit some, but are they doing it in the most efficient way to provide the best housing for low-income people? That's what we as policy makers are trying to get out of the Government Accountability Office. Should this program be continued under the same circumstances, or to what extent should it be changed?

LAURA SULLIVAN: We wanted to ask officials at the Treasury Department about the tax credit program they run. They wouldn't agree to an interview. And officials at the Department of Housing and Urban Development, which runs the Section 8 voucher program, also declined.

FARRYN GILES: Hi.

LAURA SULLIVAN: *[on camera]* Hi.

[voice-over] We returned to Dallas one last time.

LAURA SULLIVAN: *[on camera]* Can you spend five minutes talking?

FARRYN GILES: Yeah.

LAURA SULLIVAN: *[voice-over]* It had been three months since we'd met the women who had just received Section 8 vouchers.

[on camera] But they're talking about moving you up?

FARRYN GILES: Yeah.

LAURA SULLIVAN: *[voice-over]* Farryn Giles had started a new job in North Dallas.

FARRYN GILES: I'm hearing talk about my third promotion.

LAURA SULLIVAN: And had hoped to move to a neighborhood near work. But she wasn't having any luck using her voucher anywhere.

FARRYN GILES: I've been to Oakcliff. I've been to South Dallas. I've been to Pleasant Grove. I've been way down south. Nobody wants my voucher.

LAURA SULLIVAN: In January, Farryn ran out of time to use the voucher and gave it up. But she did find a place in Dallas public housing.

[on camera] We've been following families down in Dallas who've really struggled to use these vouchers. Why are they having such a hard time?

SHAUN DONOVAN, Secretary, HUD, 2009-14: Well, this is a good example of why the affordability challenges that we have are a crisis. There is some discrimination against families who want to use these vouchers. We need to figure out ways to make sure that those families, when they have a voucher, can be successful in using it.

But vouchers aren't a silver bullet. We need a housing policy that focuses on building more affordable housing. That's why the tax credit is important, so that more housing is built and that it's more affordable.

LINDA HIGGINS: *[on the phone]* Application fee is how much, sir?

LAURA SULLIVAN: After searching for months, Linda Higgins was unable to find a place that would take her voucher. She's back on the Section 8 waiting list again.

[on camera] Where do you think you would be if you weren't here in your uncle's house?

LINDA HIGGINS: Oh, gosh, probably out going from shelter to shelter to just— who knows. It's really not good. And I don't want to see the voucher, Section 8, go away. You know, I know we're having a new president, and I don't want to see it to go away, you know, because we'll have more people out in the street than we do now.

SHERRILYN IFILL, Pres., NAACP Legal Defense Fund: This is really a very, very dire emergency. For whole swathes of the population in this country, they are lifelong renters. And yet we don't talk about them and we don't talk about the challenges they face. And it almost is behind the veil. It's just simply not part of our national conversation, what happens to the millions of people who need to be able to find affordable rental housing to raise their families.

LAURA SULLIVAN: When I caught up with C'Artis Harris, she and her kids had gotten out of the shelter, but they still weren't in a place of their own. They were temporarily staying at a friend's apartment. C'Artis had been given extra time to use her voucher, but had given up on the prospect of moving out of her neighborhood.

C'ARTIS HARRIS: Maybe it's meant for me to live in the hood.

LAURA SULLIVAN: *[on camera]* Why do you think that?

C'ARTIS HARRIS: Because, like, in the hood, I guess I'm acceptable, so, like, they don't— you know, they don't discriminate, basically. They're more open.

LAURA SULLIVAN: Because everyone else is judging you.

C'ARTIS HARRIS: Yes.

LAURA SULLIVAN: *[voice-over]* As we were talking, there was an interruption, and life on the margins suddenly became even more difficult for her.

C'ARTIS HARRIS: They just towed my car away.

KID: Why'd they do that?

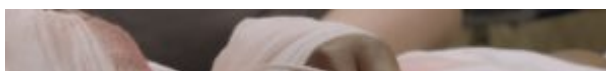
C'ARTIS HARRIS: No, for real, for real.

LAURA SULLIVAN: She'd fallen behind on payments and her van was repossessed.

CHILD: Why they take it?

C'ARTIS HARRIS: Because I ain't paid my car note in about two months.

LAURA SULLIVAN: *[voice-over]* Without her van, C'Artis Harris had lost her last safety net, a place to sleep when she and her kids have nowhere else to go. Like millions of Americans, she is still trying to find a place she can afford to live.





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