

**TESTIMONY OF JENNY REED, POLICY DIRECTOR  
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**At the Public Hearing on the  
Fiscal Year 2012-2013 Budget Oversight Hearing  
for the District of Columbia Housing Authority  
District of Columbia Committee on Economic Development  
April 22, 2013**

Chairman Bowser and members of the Committee, thank you for the opportunity to testify today. My name is Jenny Reed, and I am the Policy Director of the DC Fiscal Policy Institute. DCFPI engages in research and public education on the fiscal and economic health of the District of Columbia, with a particular emphasis on policies that affect low- and moderate-income residents.

I am here today to discuss the District's Local Rent Supplement Program; including both my support for the Mayor's \$3 million addition to the project- and sponsor-based side of the program as well as my argument for the need for an additional \$7.5 million for the tenant-based side of the program.

The District's Local Rent Supplement Program (LRSP) was created in 2007 to provide housing that is affordable to District residents with very low incomes. Locally funded, but managed by the DC Housing Authority, LRSP provides monthly rental subsidies that cover the difference between the rents that very low-income families can afford to pay and the actual monthly cost of rent for the unit. The program stems from the District's 2006 Comprehensive Housing Strategy Task Force goal of creating 14,600 locally funded rental subsidies in DC over 15 years.<sup>1</sup>

Rental subsidies in the LRSP program are provided in three different ways:

- **Tenant-based vouchers** are provided directly to families or individuals, who can use the voucher for any rental unit under the Fair Market Rent in the District. (Fair Market rents are set at different levels for different part of the city, to reflect the variation in housing costs from neighborhood to neighborhood.) The voucher stays with the family, even if they decide to move to another rental unit in the District.
- **Project-based vouchers** are provided to for-profit or non-profit developers for specific units that they make available to low-income families. Unlike tenant-based vouchers, these vouchers are not portable and stay with the unit. The units must be made affordable over the life of the project. Although it is not required, many project-based vouchers are awarded to developments that also provide supportive services, such as counseling, to the low-income residents.

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<sup>1</sup> Comprehensive Housing Strategy Task Force, "Homes for an Inclusive city: A Comprehensive Housing Strategy for Washington, DC," April 5, 2006, available at: <http://dc-chstaskforce.org/default.asp>

- **Sponsor-based vouchers** are awarded to a landlord or non-profit group for affordable units they make available to low-income families. Unlike project-based vouchers, these vouchers are portable and can be moved to another unit run by the non-profit or the landlord. Sponsor-based vouchers are awarded only to groups that agree to provide supportive services to residents housed in the affordable units.

To date, the District has funded about 1,950 households under the Local Rent Supplement Program. Even with the \$5 million increase that is expected in the program in FY 2014, the District still will be approximately 5,550 units behind its goal of 7,900 units that would be needed in FY 2014 to be on track with the 15-year goal set by the Task Force in 2006.

The additional \$5 million for LRSP — which includes the \$3 million increase proposed by the Mayor as well as \$2 million that was added to the FY 2014 budget last year by the Council — should support the creation of between 400 and 500 additional affordable units for very low-income residents. This investment, along with the other \$97 million in affordable housing funding the Mayor recently put in the proposed budget, will be a major step toward the Mayor's goal of 10,000 net new affordable housing units by 2020.

However, while the mayor's budget includes increases to a number of affordable housing programs, the increases are largely focused on affordable housing *production*. And while increases in production are clearly needed, it will likely be at least FY 2015 before a sizable number of these newly funded affordable units are available.

An increase to the tenant-based side of LRSP, by contrast, can deploy assistance quickly to help meet some of the District's significant affordable housing needs now. A recent DCFPI report found that just over one in four DC rental households pays more than half of their income on housing — with nearly three quarters of those households earning less than 30 percent of area median income. This means there are 26,600 very low-income households with little money left over after paying rent to meet other basic needs like food, clothing, medicine and transportation, and it puts low-income families at greater risk for being one economic shock (such as a layoff or illness, for example) away from not being able to pay the rent or mortgage.

The numbers clearly indicate that DC must utilize all of the affordable housing tools in its toolbox to tackle the affordable housing needs in this city. This includes production and preservation, both now and in the future. A \$7.5 million increase in tenant-based LRSP could help make roughly 500 units housing affordable for residents who are struggling with housing costs.

Some critics of tenant-based LRSP say that the program is more costly than the project/sponsor-based side and that it creates dependency among its participants. Yet those statements are not accurate. The costs on tenant-based and project/sponsor-based assistance, broken out by bedroom size, show just moderate variance between the two programs (see **Table 1**, next page). The reason that the tenant-based program has higher costs per family is that it supports larger families, on average, than the project/sponsor-based programs. In fact, 80 percent of the project/sponsor-based units serve residents that need one-bedroom units or efficiencies. On the tenant-based side, 80 percent of households served are in two-bedroom units or larger.

On the issue of dependency, the fact that some families use housing assistance for extended periods of time largely reflects the great mismatch between incomes and housing costs for residents living on low-wage work or public benefits — such as social security, disability

**Table 1: Tenant Based Local Rent Supplement Has a Higher Average Costs Because the Program Typically Serves Larger Families**

Bedroom Size	Tenant-Based		Project/Sponsor Based		Contract Rent Variance
	Households	Contract Rent	Households	Contract Rent	
0	3	\$1,119	264	\$835	\$284
1	119	\$1,059	266	\$997	\$62
2	205	\$1,202	95	\$1,224	-\$22
3	215	\$1,568	34	\$1,610	-\$42
4	60	\$1,964	8	\$1,971	-\$7
5	11	\$2,139	2	\$2,500	-\$361
7	1	\$1,879	N/A	N/A	N/A

Source: DC Housing Authority, 12/06/12

income, or public assistance. Public benefit programs, such as health care, SNAP (formerly food stamps), and housing assistance exist because many families and individuals do not have sufficient income to make ends meet and it is recognized that working poor families or others living on low fixed incomes face long-term challenges in meeting basic needs.

Research confirms the common-sense conclusion that families rely on subsidized housing for longer periods of time in communities where market rents are the highest. A recent study by the Center on Budget and Policy Priorities (CBPP) found that among non-elderly adults without disabilities, 43 percent stayed on voucher assistance longer than five years nationwide.<sup>2</sup> However, 57 percent of households living in the highest-cost areas (highest quartile of rents nationally) stayed on for more than five years compared to just 30 percent living in lower-rent areas (in the lowest rent quartile).

With DC’s high rents out of reach for the vast majority of very low-income households (those earning less than 30 percent of the area median income) it is not hard to understand why households would need to remain on housing assistance for an extended period of time. For example, in DC, a single-parent family with two children would need to work full time, year round and earn \$28.96 to afford the market rate rent for a two bedroom apartment. This is just under the median wage, or middle wage, for *all* jobs in DC which was \$29.41 in 2011. That means close to half of all jobs in DC do not pay enough for someone to afford the market-rate rent for a two bedroom apartment and suggests that efforts to help low-income families improve their incomes is key to housing mobility.

Tenant-based rental assistance also is able to accommodate the wide variety of families and individuals that need help with their housing costs. As I mentioned previously, the project/sponsor-based side of LRSP mainly serves smaller families. Moreover, many providers often work with specialized populations. This points out why both sides of the program are needed. If we truly want to serve the full range of very low-income residents in DC — from residents with severe

<sup>2</sup> Barbara Sard and Thyria Alvarez-Sanchez, “Large Majority of Housing Voucher Recipients Work, Are Elderly, Or Have Disabilities; Higher Housing Costs Drive Longer Stays for Working Families,” Center on Budget and Policy Priorities, December 2, 2011, <http://www.cbpp.org/files/12-2-11hous.pdf>.

barriers to stable housing to residents who simply don't earn enough from their low-wage job — we need both tenant-based and project/sponsor-based LRSP.

Lastly, another area of concern in the mayor's proposed budget is language in the Budget Support Act (BSA) that would direct that all newly funded Local Rent Supplement vouchers to be filled with referrals from various DC government agencies, such as the Department of Human Services. Currently, project- and sponsor-based LRSP slots — which are managed and owned by nonprofit providers — are largely filled by the DCHA waitlist or waiting lists that individual providers maintain.

While the goal of the language is to ensure slots are filled with families and individuals who DC's leaders feel are in the highest need of housing, there is nothing in the BSA to say how this would be achieved. There is no language on how housing would be prioritized and how the District would work with providers, who sometimes serve very specialized populations, to ensure that housing that is being built matches the current needs of the District. It also does not address the issue that many providers fill housing slots they manage through waiting lists that they maintain. The DC Fiscal Policy Institute recommends that this proposal — which has no fiscal impact — should be removed from the BSA so that it can be more thoroughly discussed and laid out before being considered for approval by the Council.