DC Fiscal Policy Institute

An Affiliate of the
Center on Budget and Policy Priorities
820 First Street NE, Suite 460
Washington, DC 20002
(202) 408-1080 Fax (202) 325-8839
www.dcfpi.org

TESTIMONY OF JENNY REED, POLICY DIRECTOR
DC FISCAL POLICY INSTITUTE

At the Public Hearing on
B20-369, "Truth in Affordability Reporting Act of 2013"
District of Columbia Committee on Finance and Revenue
November 5, 2013

Chairman Evans 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 to testify in support of B20-369, the "Truth in Affordability Reporting Act of 2013." The bill would help the public and policy makers have a clearer understanding of what "affordability" actually means in the District's affordable housing programs. It also will help policy makers understand how affordable housing that is pegged to the median income for the Washington region would impact residents living in DC.

One important change the bill proposes is to ensure both developers and the District use actual income levels when identifying for whom their housing will be affordable. Often, affordability is expressed in terms of a percentage of area median income (AMI), such as units affordable to someone making 30 percent of area median income. But many people do not have a sense of what these terms mean. It would be clearer to note that this means the housing would be affordable to a family of four earning $32,200 (see **Table 1**). Reporting both the percentage of area median income and the actual income level can help the public better understand what affordable to whom means.

TABLE 1: FY 2013 AREA MEDIAN INCOME LIMITS

	Household Size			
	1 person	2 persons	3 persons	4 persons
30 percent of area median income	$22,550	$25,800	$29,000	$32,200
50 percent of area median income	$37,600	$42,950	$48,300	$53,650
80 percent of area median income	$46,750	$53,400	$60,100	$66,750

Source: US Department of Housing and Urban Development

One suggestion DCFPI has is to require affordability to be reported using one family size as a point of reference. The AMI is typically expressed in terms of income for a family of four, but as Table 1 highlights, the income limits vary based on household size. If DC were to choose one family size it may want to consider using a three-person households, given that the average family size in DC in 2012 was 3.25 persons according to the Census Bureau.

Another important change the proposed bill makes it to help the public and policy makers better understand how affordable housing that is pegged to an area median income relates to the actual incomes of residents in DC. The bill proposes that subsidized affordable housing in the soon-to-be-developed Affordable Housing Database, led by the Deputy Mayor for Planning and Economic Development, reflect affordability relative to both area median income and DC median income levels. This information also would be reported, when relevant, in Tax Abatement Financial Analyses (TAFA's) for projects that involve affordable housing.

It is important to look at the difference between the area median income and DC median income because they are significantly different. Driven upwards by the high incomes in the surrounding counties, DC's area median income for a family of four—at $107,300—is 23 percent higher than the estimated DC state median family income of $82,400 for a family of four, also measured by HUD. Table 2 highlights the differences between HUD's calculated area median income and a state median income for DC.

TABLE 2: AREA MEDIAN INCOME IS FAR HIGHER THAN DC MEDIAN INCOME				
	Household Size			
	1 person	2 person	3 person	4 person
50 percent of area median income	$37,600	$42,920	$48,300	$53,650
50 percent of DC state median income*	$28,840	$32,960	$37,080	$41,200
How much lower is the DC median income compared to area median income?	23 percent	23 percent	23 percent	23 percent
Source: US Department of Housing and Urban Development (HUD). * HUD's 2013 State Median Income for a family of four in DC is $84,400. The 50 percent limit was calculated by multiplying $84,400 by .5. To determine the income limits by household size, DCFPI followed HUD's formula for income limits and used 70 percent of the 4 person limit for a 1 person households, 80 percent of the 4 person limit for a two person household and 90 percent of the 4 person limit for a 3 person household.				

Having DC track this level of data will help public and policymakers to understand how housing built at 50 percent of the area median income may, for example, not quite reach someone at 50 percent of DC's median income and can help DC make more informed decisions about how well DC is targeting its affordable housing assistance.

Lastly, the bill would have the chief financial officer calculate and publish the DC median family income. The most likely source for this information would be the Census Bureau's American Community Survey which HUD also uses as its basis for area median income. However, because ACS data is often a year or two behind the actual fiscal year, HUD makes several adjustments to the income data to ensure it accounts for inflation increases. We would encourage to the CFO to look, as a starting point, at HUD's published state median income figures when determining what median family income should be for DC.

Thank you for the opportunity to testify and I am happy to answer any questions.