



*An Affiliate of the
Center on Budget and Policy Priorities*
820 First Street NE, Suite 750
Washington, DC 20002
(202) 408-1080 Fax (202) 408-8173
www.dcfpi.org

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What's in the FY 2017 Budget For Affordable Housing?

SUMMARY OF THE FINAL FY 2017 BUDGET FOR AFFORDABLE HOUSING

- The FY 2017 budget provides \$234 million in local funding for a variety of affordable housing programs — a 7 percent increase from last year's budget after adjusting for inflation. As was the case in FY 2016, funding will be at a record level and far higher than in recent years.
- Funding for the Housing Production Trust Fund will be maintained at \$100 million. The Trust Fund is used to build and preserve affordable housing for low- and moderate-income residents.
- The budget devotes \$5.6 million in new funds for rental subsidies for formerly homeless residents through the Local Rent Supplement Program (LRSP). It does not add funds for tenant-based vouchers for families on the DC Housing Authority waiting list, or new rental assistance linked to units assisted by the Housing Production Trust Fund.
- An additional \$7 million for Permanent Supportive Housing (PSH) will provide housing and supportive services to chronically homeless residents.
- The budget increases funding from \$11 million to \$16 million for a program that helps low- and moderate-income residents become first-time homebuyers (the Home Purchase Assistance Program, or HPAP). This increase, from federal funds, will go to increase the amount of assistance available per homebuyer.
- The city's distressed public housing will receive \$15 million for repairs and maintenance. The budget establishes a new fund for this purpose, to which unspent rental assistance funds will be transferred at the end of each fiscal year.
- The budget provides \$500,000 in seed funding to help tenant associations exercise their tenant opportunity to purchase (TOPA) rights and to apply for assistance from the city under the First Right Purchase Program.

Local funding for affordable housing will increase in fiscal year (FY) 2017. This adds to the District's substantial commitment to housing in last year's budget and sets a new record for local affordable housing funding. The District has a variety of affordable housing tools, each serving a specific purpose and each critical to making housing available along the entire continuum of need — from homelessness to homeownership — for DC's low- and moderate-income residents. Total local funding for affordable housing in FY 2017 will be \$234 million, a \$16 million (7 percent) increase after adjusting for inflation. (See **Figure 1** and **Table 1**.)

This investment is significant. Yet the budget makes little progress in expanding rental assistance to the poorest families who have the most severe affordable housing problems. In particular, the budget adds no funds to move some of the thousands of families on the DC Housing Authority waiting list into affordable homes. The budget also adds no new rent subsidies for units assisted by

the Housing Production Trust Fund, although there are indications that rent subsidies will be provided as needed as the newly funded units are constructed. If this does not happen, it will be difficult to make Trust Fund projects affordable to the lowest income families.

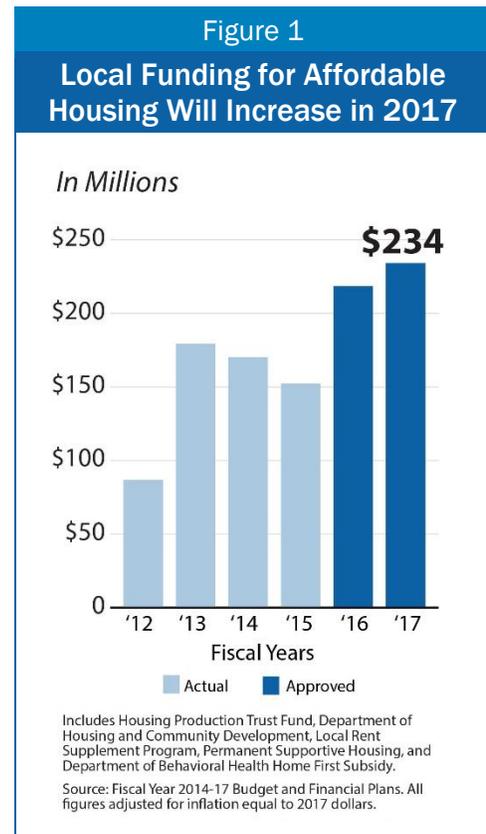
Funding for the Housing Production Trust Fund Will Be Maintained

The FY 2017 budget maintains the important \$100 million investment in the Housing Production Trust Fund. This will keep the Trust Fund at one of the highest funding levels in its history. (See **Figure 2**.)

The [Housing Production Trust Fund](#) (HPTF) supports the construction and renovation of affordable housing. The Trust Fund provides “gap financing,” through loans or grants to partially fund housing projects and keep them affordable. It is likely that that the FY 2017 funding will support building or renovating 1,000 or more homes, although the precise number is unclear because the needs vary a great deal from project to project.¹

Under legislation enacted in 2002, some 15 percent of deed recordation and transfer taxes are dedicated to the fund each fiscal year. Because real estate transactions fluctuate as the real estate market heats and cools, funding for the HPTF has fluctuated significantly over time. The FY 2017 budget supports the Trust Fund with \$45 million in these dedicated taxes and a \$55 million supplement.

It is worth noting that the supplemental funding is provided on a one-time basis in FY 2017, and not built into future projected budgets. This means that additional funding will need to be identified again a year from now to maintain the \$100 million funding level.



More Rental Assistance for Formerly Homeless Residents, But Not for Other Key Initiatives

The FY 2017 budget includes \$5.6 million in new funds for the Targeted Affordable Housing program, which serves formerly homeless families and individuals (see DCFPI’s [Homeless Services Toolkit](#)). Yet the budget adds no new support for two key components of the Local Rent Supplement Program. (See **Figure 3**). This could make it difficult for the Housing Production Trust Fund to create housing affordable to the lowest-income households, and will not help move some of the thousands of families on the DC Housing Authority waiting list into affordable homes.

¹ Department of Housing and Community Development [FY 2016 Budget Oversight Documents](#).

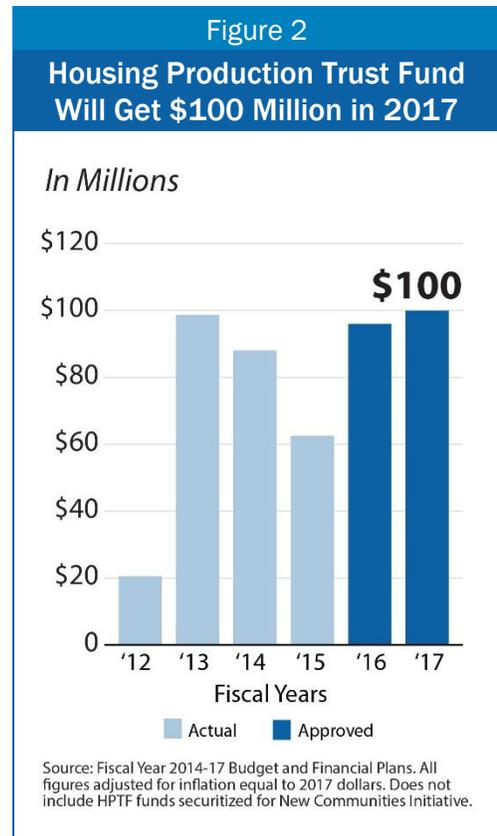
The [Local Rent Supplement Program](#) (LRSP) is DC’s most effective housing tool to meet the needs of extremely low income families. LRSP provides ongoing rental assistance that pays the difference between what extremely low income families can afford and the actual cost of housing. Here is what is in the FY 2017 budget for the three components of LRSP:

- **Targeted Affordable Housing:** The budget adds \$5.6 million to assist formerly homeless residents who have received “Rapid Re-Housing” temporary rental assistance, but are unable to afford private market rents when the temporary assistance ends. It also helps residents who have been in permanent supportive housing, and still need help affording rent but no longer need PSH social services. Approximately 140 individuals and 200 families will be assisted by the new funds added in FY 2017.
- **Project/Sponsor-Based LRSP:** The budget does not add new funds for rental assistance linked to units assisted by the Housing Production Trust Fund. Without rental assistance, it is difficult for Trust Fund projects to reach the poorest households with the greatest need for affordable housing. This is because the Trust Fund provides up-front financing assistance, but does not help cover ongoing operating and maintenance costs.

The FY 2017 budget’s lack of new funding for rental assistance for Trust Fund projects largely reflects the fact that construction projects usually take more than one year to complete, which means rental assistance funds do not need to be provided immediately. It is likely that rental assistance funding will be needed in the future, as projects are completed, to meet the Trust Fund’s targets to serve extremely low income residents.

- **Tenant-Based LRSP:** There will be no new rental assistance to help some of the 41,000 families on the DC Housing Authority waiting list pay the rent at private market apartments – the first budget since FY 2013 that adds no new LRSP for this purpose. The budget adds \$423,000 for rental vouchers for approximately 20 seniors referred by the Mayor’s Office on Returning Citizen Affairs.

During deliberations over the FY 2017 budget, some policymakers noted that funding for tenant-based vouchers from prior years had not fully been spent. This appears to have contributed to the decision to not add funding to this program in FY 2017. Understanding the reasons behind this, and taking steps to ensure that tenant-based vouchers are used, will be important going forward to supporting expansion of this important tool.



The Comprehensive Housing Strategy Task Force set a goal in 2006 for the District to create roughly 14,600 subsidies in 15 years, or about 1,000 subsidies a year. Including targeted affordable housing, the District will have funded rental assistance for around 4,200 households, leaving the District approximately 6,500 units behind its goal of 10,700 units in FY 2017.

Increase in Permanent Supportive Housing for Chronically Homeless Residents

The Permanent Supportive Housing Program (PSH), also known as Housing First, was created in FY 2009 to place chronically homeless individuals and families into affordable housing with case management services. The program includes a capital component to build or renovate facilities, and an operating component for case management services and rental subsidies.

The FY 2017 budget includes \$6.8 million to expand Permanent Supportive Housing to approximately 425 individuals as part of an effort to end chronic homelessness. These changes are covered in more detail in DCFPI's summary of the FY 2017 homeless services budget, as part of the DCFPI [Budget Toolkit](#).

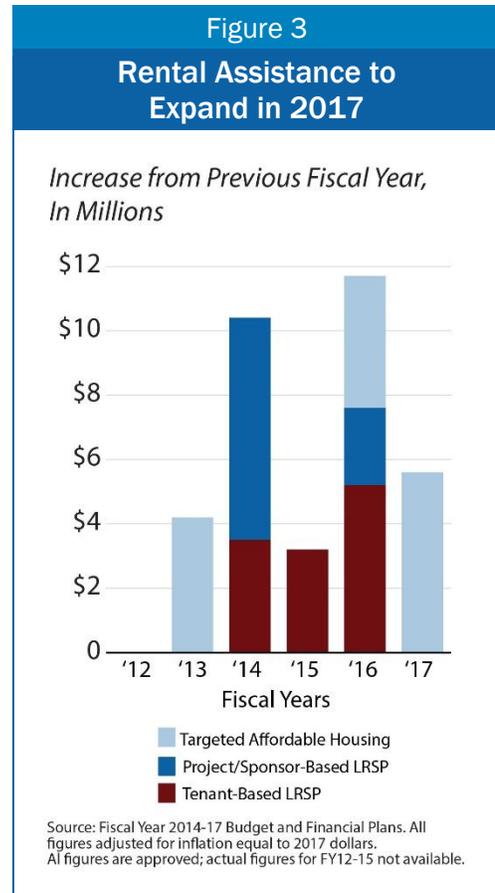


Table 1
Local Funding for DC's Main Affordable Housing Sources
FY 2013 – FY 2017

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Approved	FY 2017 Approved
Department of Housing and Community Development	\$16	\$15	\$14	\$15	\$16
Housing Production Trust Fund	\$99	\$89	\$50	\$96*	\$100
DC Housing Authority Subsidy	\$36	\$36	\$39	\$61	\$66†
Permanent Supportive Housing	\$20	\$22	\$27	\$37	\$43
Home First Subsidy (Dept. of Behavioral Health)	\$9	\$9	\$10	\$10	\$9
Total	\$179	\$170	\$152	\$219	\$234

Figures are in millions and are adjusted for inflation to equal fiscal year 2017 dollars. For Housing Production Trust Fund, does not include funds securitized to support the New Communities Initiative.
 * Due to lower than estimated revenue from dedicated taxes, estimated FY 2016 funds for the HPTF are lower than the \$100 million approved in the FY 2016 budget.
 † This figure will differ from DCHA's budget book. In FY 2017, \$4.3 million Permanent Supportive Housing rental assistance funds were added to the DCHA budget. To better illustrate changes in PSH funding from year to year, we have moved those funds to the PSH line of this table.

Fifty Percent Increase in Assistance for First-Time Homebuyers

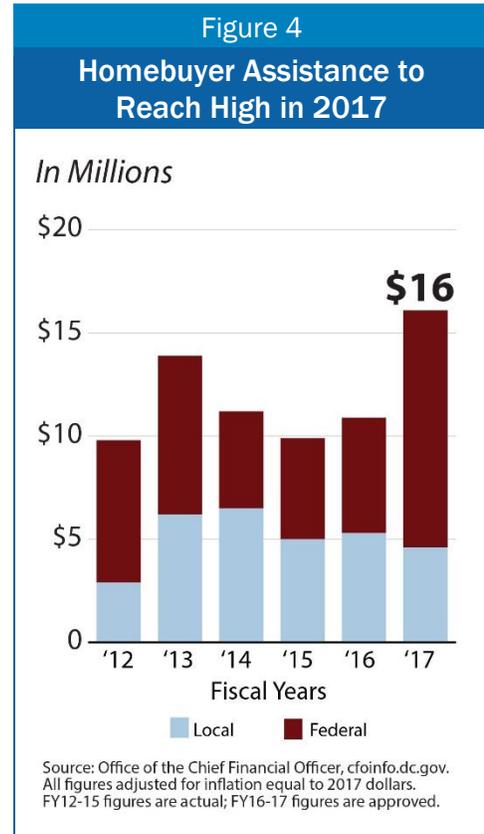
The FY 2017 budget will increase funds for a program that helps low- and moderate-income residents become first time homebuyers – the Home Purchase Assistance Program. HPAP provides interest-free loans for down-payment and closing costs to low-income first-time homebuyers.²

Total funding for Home Purchase Assistance — federal and local funds combined — will be \$16 million in FY 2017, up from \$11 million in FY 2016. (See **Figure 4**.) This increase will allow the Department of Housing and Community Development to increase the amount of assistance available per homebuyer from \$54,000 to \$80,000, and to serve more households than in 2016. The number of residents who buy their first home with help from HPAP has fallen in recent years. One possible factor is the relatively small amount of assistance available per household, given the District’s high and rising home prices.

Public Housing Will Receive Funds for Needed Repairs

The city’s distressed public housing will receive at least \$15 million for repairs and maintenance in FY 2017, by re-directing unspent rental assistance funds. This investment is much needed: due to federal underfunding, four out of five public housing units in DC are in need of significant repairs. The DC Housing Authority, which owns and operates public housing, will prioritize the funds for the most serious capital needs. For instance, 22 severely distressed, uninhabitable units will be rehabilitated so that they can be occupied.³

The FY 2017 budget establishes a repair and maintenance fund, which will receive any Local Rent Supplement Program funds left unspent at the end of each fiscal year. In past years, those funds have been reallocated for various purposes other than housing. The FY 2017 budget allocates \$15 million to the new public housing repair fund, though more may be added if additional LRSP funds are unspent at the end of FY 2016.



² The home purchase assistance programs also contains two smaller pots of funding: the Employer Assisted Housing Program (EAHP), which serves DC government employees and police officers; and the Negotiated Employee Affordable Home Purchase Assistance program (NEAHP), which serves DC government employees whose positions are covered by collective bargaining agreements.

³ Presentation by DC Housing Authority Director Adrienne Todman at CNHED FY 2017 Budget Briefing, 31 March 2016.

New Seed Money Will Help Tenant Organizations Purchase Their Buildings

The FY 2017 budget establishes a new program that will provide seed funding to tenant associations seeking to buy their building. The budget funds the program at \$500,000, which will help approximately 30 tenant associations pay for legal and technical reports required to exercise their tenant opportunity to purchase (TOPA) rights and to apply for assistance from the city under the First Right Purchase Program. The [First Right Purchase Program](#) has helped preserve over 1,400 units of affordable housing, and is one of the District's key tools to help residents stay in their homes as housing costs rise around them.

Housing Program for Residents with Mental Illness Will Be Unchanged

The Home First program at the Department of Behavioral Health is designed to help individuals with mental illness to bridge from temporary housing into long-term stable housing by providing transitional housing and services. The FY 2017 budget for the Home First program is \$9.3 million, largely the same as last year's funding level, \$9.5 million.