

## What's In the Proposed Fiscal Year 2018 Budget for Affordable Housing?

Local funding for affordable housing would increase modestly under the proposed fiscal year (FY) 2018 budget. This would add to the District's substantial commitment to housing in recent years. Total local funding for affordable housing<sup>1</sup> is proposed to be \$196 million, a \$7.5 million (4 percent) increase from last year after adjusting for inflation (*Figure 1* and *Table 1*, pg. 4).

While these resources are significant, the budget makes little progress in expanding assistance to DC's extremely low-income families, who face the most severe affordable housing challenges. In particular, the budget provides no new vouchers for families on the DC Housing Authority waiting list. (The budget adds a small amount of rental assistance for formerly homeless residents, covered in DCFPI's Budget Toolkit analysis of homeless services.) The proposed budget also does not add any rental assistance for apartments developed through the Housing Production Trust Fund. Without that assistance, it is unlikely that DC's substantial investment in the Trust Fund will end up reaching the city's lowest-income residents.

### Funding for the Housing Production Trust Fund Will Be Maintained in FY 2018

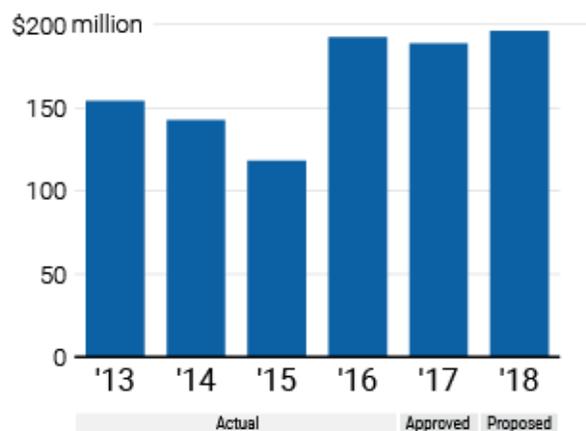
The FY 2018 proposed budget provides \$100 million for the Housing Production Trust Fund (*Figure 2*, pg. 2). The Trust Fund, DC's main affordable housing tool, provides low- and no-interest loans to housing developers to help build or renovate affordable housing.

The proposed budget maintains the Housing Production Trust Fund at one of the highest levels in its history. This will be the third year in a row that \$100 million will be invested in the Trust Fund. This investment can produce or preserve approximately 1,000 affordable units.

Yet there are several reasons to support additional funding for the Trust Fund beyond \$100 million. About twice as many affordable housing projects applied for Trust Fund assistance in 2016 as were awarded funds—indicating that there is a large interest and capacity to create or preserve affordable housing. In addition, the value of the Low-Income Housing Tax Credit, a key resource for affordable housing development, may shrink if federal tax reform is enacted.<sup>2</sup> Projects that sought to make use of housing tax credits may require additional funding from the Trust Fund.

FIGURE 1.

### Modest Growth for Affordable Housing Funding in Proposed Budget

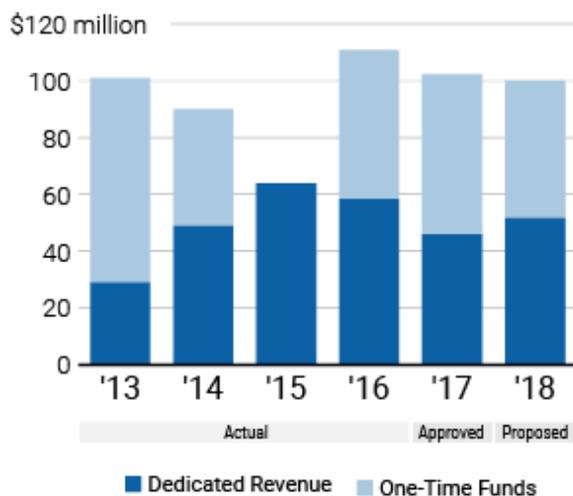


Note: All figures adjusted for inflation. Includes Housing Production Trust Fund, Department of Housing and Community Development, DC Housing Authority Subsidy, and Housing Preservation Fund.  
Source: Fiscal Year 2015-18 Budget & Financial Plans.

The proposed FY 2018 budget supports the Trust Fund with \$52 million in dedicated taxes and a \$48 million supplement. Each year, 15 percent of deed recordation and transfer tax collections are dedicated to the Trust Fund. The one-time supplemental funding is not built into future budgets, meaning that additional funding will need to be identified again a year from now to maintain the \$100 million funding level.

FIGURE 2.

### Housing Production Trust Fund to Be Maintained in FY 2018



Note: All figures adjusted for inflation.  
Source: Chief Financial Officer, Fiscal Year 2015-18 Budget and Financial Plans.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

The budget also provides funds to strengthen oversight of projects that received assistance from the Housing Production Trust Fund. In a recent study, the DC Auditor identified the lack of enough staff to monitor projects as a key factor in lapses in compliance among a subset of Housing Production Trust Fund projects.<sup>3</sup> The proposed budget addresses this issue by adding five full-time employees to the division of the Department of Housing and Community Development responsible for overseeing Trust Fund and other projects.

### SUMMARY

- The proposed FY 2018 budget provides a modest increase to the District’s substantial commitment to affordable housing. The budget includes \$196 million in local funding for a variety of affordable housing programs—a 4 percent increase from last year’s budget after adjusting for inflation.
- Funding for the Housing Production Trust Fund will be maintained at \$100 million. The Trust Fund helps build and preserve affordable housing for low- and moderate-income residents.
- The proposed budget establishes a new fund to preserve existing affordable housing. The \$10 million fund will help acquire and rehabilitate low-cost housing, and is expected to leverage \$30 million in private investment.
- The budget devotes \$3 million for new rental subsidies for formerly homeless residents through the Local Rent Supplement Program. Yet for the second year in a row, the proposed budget adds no rental assistance to take families off the DC Housing Authority waiting list or to make homes developed through the Housing Production Trust Fund affordable to the poorest families with the most serious housing needs.
- The budget increases down-payment assistance for low- and moderate-income homebuyers by \$2 million, of which \$1 million will be available specifically to DC government employees.
- An additional \$6 million for Permanent Supportive Housing will provide housing and supportive services to chronically homeless residents.

### New Fund Will Help Preserve Existing Affordable Housing

The FY 2018 proposed budget adds an additional tool to the District’s affordable housing toolbox: a fund entirely dedicated to preserving existing low-cost housing.

The proposed budget adds \$10 million to establish a housing preservation fund, which is expected to leverage \$30 million in private-sector investment. The fund is an important step towards saving more of DC’s disappearing affordable housing. It will provide financing to help acquire and rehabilitate affordable housing

projects, such as privately-owned buildings kept affordable by federal subsidies that are set to expire. Key parameters, such as which income levels the fund will target or how projects will be selected, are still being determined.

The proposed budget also dedicates three staff positions within the Department of Housing and Community Development to a new “preservation unit.” The preservation unit would be responsible for identifying low-cost housing at risk of being lost and deploying resources—including the preservation fund—to keep the housing affordable. Both the preservation fund and preservation unit were key recommendation of the housing preservation strike force convened by Mayor Bowser in 2015.<sup>4</sup>

### The Proposed 2018 Budget Provides Too Little Rental Assistance to Support Key Initiatives

The proposed FY 2018 budget includes \$3 million in new funds for rental assistance through the Local Rent Supplement Program (LRSP). This would support additional Targeted Affordable Housing vouchers to help formerly homeless households afford rent. Yet for the second year in a row, the proposed budget adds no new support for two the component of LRSP that takes families off the DC Housing Authority, and there will be no new operating subsidy available to make sure apartments built through the Housing Production Trust Fund are affordable to extremely low-income families (*Figure 3*).

Here is what is in the proposed FY 2018 budget for the three components of LRSP:

- **Targeted Affordable Housing:** The proposed budget adds \$3 million to assist formerly homeless residents: 85 families and 100 individuals. Targeted affordable housing helps residents who had been in Permanent Supportive Housing, and no longer need the included intensive services but still need help affording housing. It also helps residents

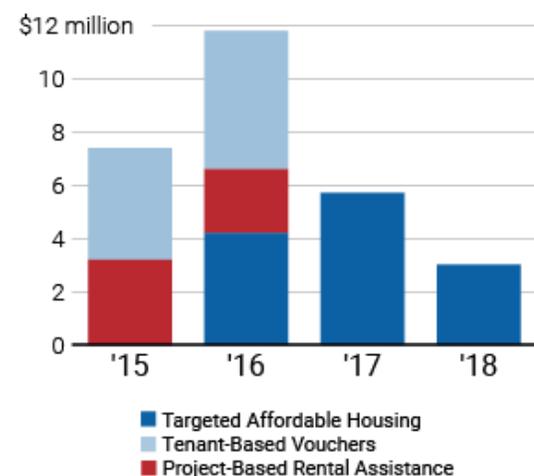
whose temporary Rapid Rehousing assistance is ending who still need help paying rent.

- **Project-Based Rental Assistance:** The budget adds no new funds for rental assistance linked to units assisted by the Housing Production Trust Fund. Without this, it is unlikely investments in the Trust Fund will reach DC’s lowest-income households. Fully 80 percent of recent Trust Fund units that were affordable to extremely low-income households needed project-based rental subsidies like LRSP.<sup>5</sup> The Administration has indicated that Trust Fund projects approved this year will get LRSP funds in future DC budgets when those projects are ready to come online. However, it is unclear whether DC is able to make these kinds of commitments without having the funds in the budget now, or whether developers of these projects (and their investors) would accept the uncertainty.

FIGURE 3.

### No New Funds for Two Key Rental Assistance Programs in Proposed Budget

Increase in approved budget from previous year



Note: All figures adjusted for inflation. Source: Fiscal Year 2015-18 Budget & Financial Plans; Committee Reports.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

- **Tenant-Based Vouchers:** The budget would add no new rental vouchers to help households pay the rent at private market apartments. This means the District will not make progress on moving any of the families on the DC Housing Authority waiting list into affordable homes.

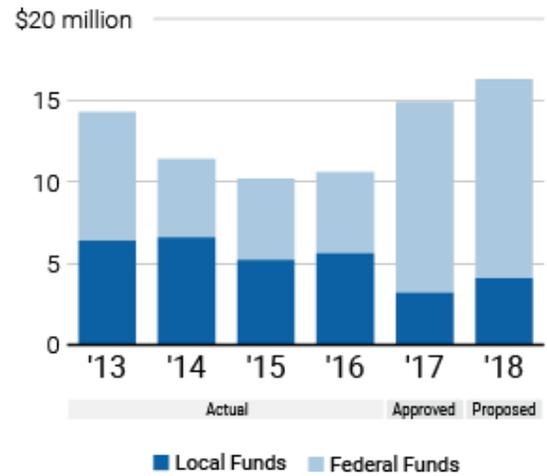
programs—federal and local funds combined—will be \$16 million in FY 2018 (*Figure 4*).

FIGURE 4.

### Increase in Assistance for First-Time Homebuyers in FY 2018

The proposed budget would expand programs that help 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. Funding for HPAP was substantially expanded last year, as the maximum amount of assistance available per household was raised to keep up with the District's high and rising home prices. The proposed FY 2018 budget adds \$1 million to HPAP, from federal funds. In addition, the FY 2018 budget provides \$1 million in local funds to the Employer Assisted Housing Program, which provides down-payment assistance to DC government employees. Total funding for home purchase assistance

### More Down-Payment Assistance for First-Time Homebuyers in FY 2018



Note: Includes the Home Purchase Assistance Program and Employer Assisted Housing Program. All figures adjusted for inflation. Source: Chief Financial Officer, Fiscal Year 2015-18 Budget and Financial Plans.

DC FISCAL POLICY INSTITUTE | DCFPI.ORG

TABLE 1.

### Local Funding for DC's Main Affordable Housing Programs

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Approved	FY 2018 Proposed
Department of Housing and Community Development	16.3	15.5	14.3	23.5	19.4	17.7
Housing Production Trust Fund	100.9	90.1	63.9	110.9	102.3	100.0
DC Housing Authority Subsidy <i>Including Local Rent Supplement Program</i>	36.8	37.0	39.8	58.2	67.1	68.6
Housing Preservation Fund	—	—	—	—	—	10.0
<b>Total</b>	<b>154.0</b>	<b>142.6</b>	<b>118.0</b>	<b>192.6</b>	<b>188.8</b>	<b>196.3</b>

Note: Figures are in millions and are adjusted for inflation. Figures for DC Housing Authority exclude Permanent Supportive Housing funds budgeted through DCHA. Figures for Department of Housing and Community Development does not include the Housing Preservation Fund, which has been separated as its own line in this table. The FY 2017 budget for the Department of Housing and Community Development includes \$3 million in additional funds proposed in the Mayor's Supplemental FY 2017 Budget. In FY 2016, funding for the Housing Production Trust Fund exceeded the Mayor's \$100 million commitment due to higher-than-projected dedicated revenue collections. Source: Fiscal Year 2015-18 Budget and Financial Plans.

## Permanent Supportive Housing for Chronically Homeless Residents Will Increase in FY 2018

Permanent Supportive Housing places chronically homeless individuals and families into affordable housing with built-in case management services.

The proposed FY 2018 budget includes \$5.9 million to expand Permanent Supportive Housing to approximately 117 families and 162 individuals as part of an effort to end chronic homelessness. These changes are covered in more detail in DCFPI's summary of the FY 2018 homeless services budget, as part of the DCFPI Budget Toolkit.

---

<sup>1</sup> In previous years, DCFPI's Budget Toolkit analysis of affordable housing funding included Permanent Supportive Housing and the Home First program (Department of Behavioral Health) in the total amount of funding for affordable housing. Due to data availability and consistency issues, these two programs are not included in DCFPI's total this year. This toolkit will be updated if data becomes available.

<sup>2</sup> "Uncertainty Over Tax Reform Is Already Hurting Affordable Housing," CityLab, Jan. 2017,

<http://www.citylab.com/housing/2017/01/uncertainty-over-tax-reform-is-already-hurting-affordable-housing/514235/>

<sup>3</sup> "DHCD Should Improve Management of the Housing Production Trust Fund to Better Meet Affordable Housing Goals," Office of the District of Columbia Auditor, Mar. 2017, <http://www.dcauditor.org/HPTE>

<sup>4</sup> Projects closed or awarded funding 2010 to date. DCFPI analysis of the Department of Housing and Community Development pipeline database, <https://octo.quickbase.com/db/bit4kvfmq>

<sup>5</sup> Projects closed or awarded funding 2010 to date. DCFPI analysis of the Department of Housing and Community Development pipeline database, <https://octo.quickbase.com/db/bit4kvfmq>