Updated August 14, 2014

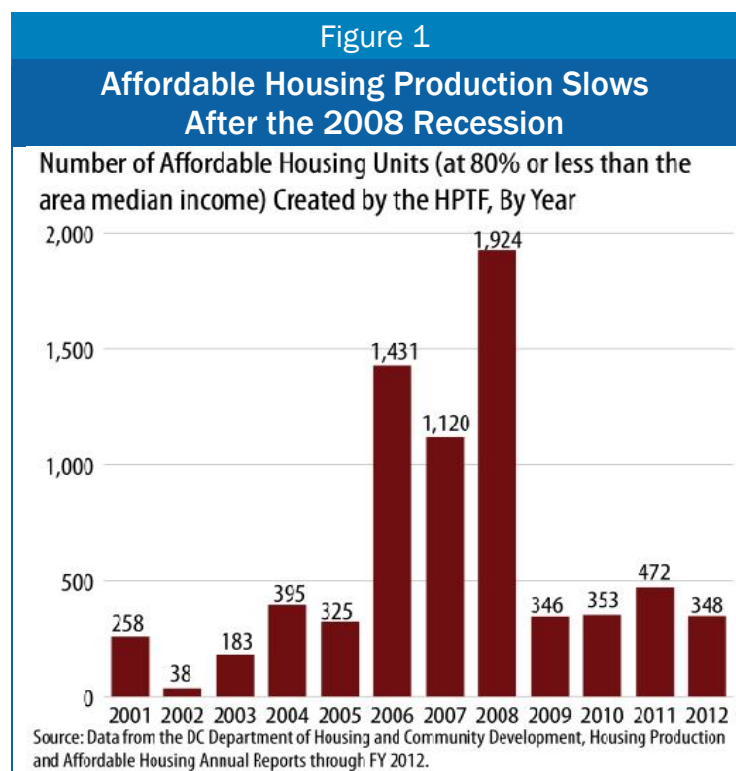# THE HOUSING PRODUCTION TRUST FUND (HPTF)

The Housing Production Trust Fund (HPTF) supports the construction, rehabilitation, and acquisition of housing affordable to low- and moderate-income residents. Since 2001, the HPTF has built or renovated almost 7,200 affordable housing units throughout the District, with a focus on rental units in Wards 1, 7, and 8. It has become the District's largest affordable housing program.

This policy brief provides an overview of the history and use of the DC Housing Production Trust Fund and highlights one issue of future focus: the Trust Fund's inconsistent funding from year to year. The HPTF is funded through a portion of DC's deed recordation and transfer taxes, and as a result, funding fluctuates greatly in real estate booms and busts. Identifying a more stable source of funding for the HPTF would ensure more predictable and consistent funding for DC's main tool to create and preserve affordable housing.

Figure 1
Affordable Housing Production Slows After the 2008 Recession

Number of Affordable Housing Units (at 80% or less than the area median income) Created by the HPTF, By Year

Source: Data from the DC Department of Housing and Community Development, Housing Production and Affordable Housing Annual Reports through FY 2012.

History and Use of the HPTF

The HPTF provides grants and loans to both for- and non-profit developers to support a range of affordable housing development activities. The HPTF can be used for either rental or homeownership housing.

Funding from HPTF often serves as "gap financing" for projects that have substantial amounts of private financing and need only partial support from the District. This make the Housing

Production Trust Fund a very effective financing tool. Each dollar in HPTF awards leverages $2.50 in private financing on average.[1]

Although the HPTF was established in 1988, it did not receive regular funding until fiscal year (FY) 2001, when the District made a one-time $25 million contribution. The "Housing Act of 2002[2]" dedicated 15 percent of the District's real estate recordation and transfer taxes each year to fund the HPTF. In FY 2007, the HPTF received a boost in resources as the DC council adopted legislation that increased the deed recordation and transfer tax rate, resulting in increased funding for the program.

The program has created over 7,000 units of affordable housing since 2001. (See **Figure 1.**) By law, at least 40 percent of the program's expenditures each fiscal year must serve households with income below 30 percent of area median income or AMI. For a household of four, the maximum income for these units would be $32,100.[3] In addition, 80 percent of funded units are reserved for households with income of 50 percent AMI or below (including those for households under 30 percent of AMI).

At least 50 percent of the units supported by the Trust Fund each year must be for rental housing. Currently, over 80 percent of the units supported by the HPTF are rental units.

The HPTF has led to the construction of affordable housing units in each of the District's wards. The heaviest concentration of projects is in wards 1, 7, and 8. Together, these wards are home to almost 80 percent of HPTF units.

Future Focus: Fluctuating Funding

Because the HPTF's funding is tied to the volume of sales in the District's real estate market, available money for the program is uncertain from year to year. This was a problem especially during the recession that started in 2008, when real estate activity dwindled. As a result, HPTF funding dropped by nearly 80 percent from FY 2007 to FY 2010. Large unexpected drops in funding can lead the HPTF to become oversubscribed, meaning that it has more commitments for funding than it has funds. This can delay affordable housing projects that may be otherwise ready to build.

To avoid oversubscription and to have more reliable funding from year to year, the District should set up a stable funding source for the HPTF.[4] In FY 2013 and FY 2014, a total of $110 million dollars in one-time additions were made to the HPTF. (See **Figure 2**.) While this provided sorely needed funds for affordable housing projects, it did not provide long-term fund stability.

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[1] DC Housing Production Trust Fund and Affordable Housing FY 2012 Annual Report, page 22, http://dhcd.dc.gov/publication/2012-housing-production-and-affordable-housing-annual-report.

[2] B14-0183, "Housing Act of 2002," http://dcclims1.dccouncil.us/lims/legislation.aspx?LegNo=B14-0183&Description=%22HOUSING+ACT+OF+2002%22.&ID=9577.
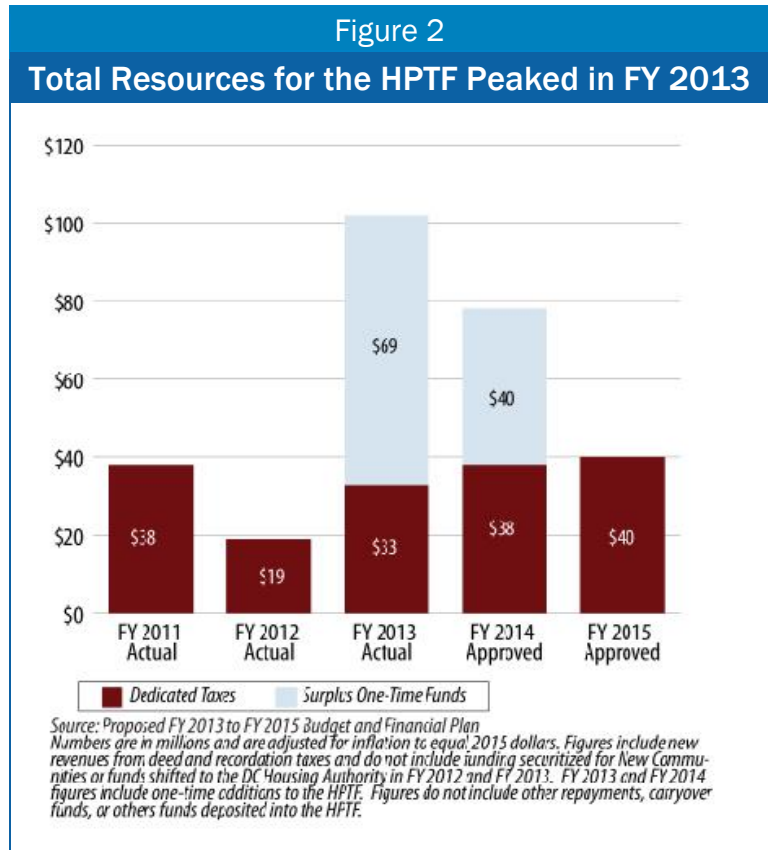
[3] U.S. Department of Housing and Urban Development, FY 2014 Income Limits Documentation System, http://www.huduser.org/portal/datasets/il/il14/index_il2014.html.

[4] To read more, see: "Affordable Housing in the District Depends on a Stable Housing Production Trust Fund" http://dcfpi.org/wp-content/uploads/2008/10/10-20-08stablehptfreport.pdf.

Changing how resources are allocated to the Housing Production Trust Fund by both increasing the annual funding level and improving the reliability of the funding, in good economic times as well as bad, would contribute to a more steady stream of affordable housing in the District for years to come. DC could accomplish this by funding the HPTF with a set amount of deed transfer and deed recordation taxes rather than relying on a percentage of these taxes, or by establishing an appropriation from the District's general fund each year, as most DC agencies are funded, rather than tying funding to a volatile tax source.

Lastly, the HPTF could continue to be funded with a percent of deed recordation and transfer taxes, but have a minimum funding amount that would be automatically

Figure 2
Total Resources for the HPTF Peaked in FY 2013

Source: Proposed FY 2013 to FY 2015 Budget and Financial Plan
Numbers are in millions and are adjusted for inflation to equal 2015 dollars. Figures include new revenues from deed and recordation taxes and do not include funding securitized for New Communities or funds shifted to the DC Housing Authority in FY 2012 and FY 2013. FY 2013 and FY 2014 figures include one-time additions to the HPTF. Figures do not include other repayments, carryover funds, or others funds deposited into the HPTF.

transferred each year. A bill introduced by Councilmember Barry in 2008 proposed using this method. The bill passed, but was never funded and thus never implemented. A similar bill was introduced by Councilmember Bowser in March of 2014 and calls for $100 million in minimal annual funding for the HPTF. The bill was approved by the Committee on Economic Development in July 2014 and is expected to have a first vote in the fall of 2014.[5]

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[5] B20-0708, "Housing Production Trust Fund Baseline Funding Act of 2014," http://lims.dccouncil.us/Legislation/B20-0708?FromSearchResults=true.