WHAT'S IN THE FY 2013 BUDGET FOR AFFORDABLE HOUSING?

Summary of the FY 2013 Budget for Affordable Housing

The fiscal year 2013 approved general fund budget for affordable housing is $113 million from a variety of sources. This represents a $23 million increase, or nearly 26 percent, from the fiscal year 2012 budget, after adjusting for inflation. While the FY 2013 budget for affordable housing proposed by Mayor Gray was essentially flat from FY 2012, the DC Council re-allocated nearly $22 million in resources to restore significant gaps in funding for critical housing programs. In particular, the Council added $15 million to the Housing Production Trust Fund, almost restoring a $20 million cut that had been proposed by the mayor to DC’s main source for affordable housing construction and renovation. The Trust Fund had been cut sharply in FY 2012, and so the near-complete restoration in FY 2013 will represent a substantial increase.

Other notable increases include $4 million to the DC Housing Authority to help move homeless families out of emergency shelters and into stable housing and a $1.2 million increase in the Department of Mental Health’s Home First program which will support 100 new affordable housing units. In addition, the DC Council re-allocated $2.5 million to increase funds for DC’s Home Purchase Assistance Program that helps low-income, first-time homebuyers purchase a home. These funds will help offset a $5 million proposed cut to the program that resulted from a loss of federal funds.

SUMMARY

MAYOR’S PROPOSED BUDGET

- The Mayor’s fiscal year 2013 proposed local budget for affordable housing was $89 million, which represented a decrease of one percent over the FY 2012 budget, after adjusting for inflation. The proposed 2013 funding level was one-third lower than in 2008.
- The Mayor’s FY 2013 proposed a cut of $20 million from DC’s Housing Production Trust Fund (HPTF) — DC’s main source for affordable housing construction and renovation — in FY 2013 and future years.
- The budget proposed an increase in the Department of Mental Health’s Home First program by $1.2 million, providing 100 additional affordable housing units.

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- The DC Council added nearly $22 million of additional funds for critical affordable housing programs. The DC Council added $15 million to the Housing Production Trust Fund which helped to largely offset a $20 million proposed cut and $2.5 million to the Home Purchase Assistance Program to offset a $5 million cut resulting from a loss of federal funds.
- The DC Council also added $4 million to the DC Housing Authority to help move families out of emergency shelter and into stable housing.
- The DC Council also rejected the Mayor’s proposal to phase out a portion of the Local Rent Supplement Program.
Analysis of the Proposed FY 2013 Housing Budget

The District has created a variety of affordable housing tools, each serving a specific purpose and each critical to making housing available all along the continuum of needs — from homelessness to homeownership — for DC’s low- and moderate-income residents. Many of these tools have been developed or revived over the past decade and were endorsed by DC’s 2006 Comprehensive Housing Strategy Task Force, which issued a fifteen-year blueprint to create and preserve more affordable housing in the District.

These tools include:

- **The Housing Production Trust Fund** which finances affordable housing construction and renovation, and also provides financial support to tenants who want to purchase their building when it goes up for sale.

- **The Local Rent Supplement Program** which provides a rental subsidy to help very low-income residents, those making less than $30,000 a year — live in affordable homes.

- **The Permanent Supportive Housing Program** which provides supportive housing for chronically homeless individuals and families.

As a result of the Great Recession, the city’s affordable housing tools have been largely dormant and funding has been used to maintain most programs at their prior-year levels. The exception was the Housing Production Trust Fund, where resources fell significantly when the recession hit and have remained low for some time. HPTF is supported by 15 percent of DC’s deed recordation and transfer taxes, which dropped sharply in the downturn. Moreover, in FY 2012, the HPTF was significantly cut.

FY 2013 represents the first year since the start of the recession that funds for affordable housing will see a significant increase and begin to return closer to pre-recession levels.
This analysis highlights the following major sources for affordable housing from local District funds: the Department of Housing and Community Development (DHCD), DC Housing Authority Subsidy (DCHA), the Housing Production Trust Fund (HPTF), the Permanent Supportive Housing Program administered by the Department of Human Services, and a housing program administered by the Department of Mental Health (DMH).

Figure 1 shows the change in total local funding for affordable housing from FY 2008 – FY 2013. Local funding for affordable housing peaked in FY 2008 (the FY 2008 figure includes a $30 million allocation to the HPTF approved in a supplemental budget), but then fell sharply in FY 2009 and further from FY 2010 to FY 2012.

Total funding for FY 2013 is $113 million. This is a nearly 26 percent increase over FY 2012 and the highest funding level since FY 2008. The FY 2013 housing budget remains 16 percent lower than the peak of FY 2008, however.

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<thead>
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<th>Table 1</th>
<th>Changes in Funding for DC’s Main Affordable Housing Sources, FY 2008 – 2013*</th>
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<td>FY 2008 Actual</td>
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<tr>
<td>Department of Housing and Community Development</td>
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<tr>
<td>Housing Production Trust Fund</td>
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<td>DC Housing Authority</td>
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<tr>
<td>Permanent Supportive Housing</td>
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<td>Department of Mental Health Bridge Subsidy</td>
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<td>Total</td>
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* Dollars are in millions, adjusted for inflation to equal FY 2013 dollars. In prior years, the total funds securitized from the Housing Production Trust Fund for New Communities projects had been included in the total funds for affordable housing. This analysis removes the funding used to securitize bonds for New Communities projects in FY 2012 and prior years. Therefore, total figures in this analysis may not match totals reported in prior years’ analyses. ** Figure includes $30 million one-time appropriation into the HPTF from the FY 2008 supplemental budget.
Figure 2 shows the contribution each of the major affordable housing sources funded from District local funds makes to the total $116 million in funding for affordable housing in FY 2013. Table 1 looks at the change in funding for each of the major affordable housing sources from FY 2008-FY 2013.

The Department of Housing and Community Development

The Department of Housing and Community Development (DHCD) manages a variety of programs — both local and federal — to finance, develop, and preserve affordable housing and homeownership for low-income DC residents. The major programs DHCD operates with local dollars are: the Home Purchase Assistance Program (HPAP) which provides low-interest loans to low-income, first-time homebuyers; the Housing Production Trust Fund (HPTF) which is DC’s main source for affordable housing construction and renovation; and Tenant Opportunity to Purchase (TOPA) which helps low-income tenants purchase their buildings when they go up for sale. DHCD also spends local dollars to revitalize DC neighborhoods through the economic development of disadvantaged neighborhoods.

Total local funding for DHCD is $19 million in FY 2013, not including the Housing Production Trust Fund, which is described separately in this analysis. The DHCD budget is a decrease of 5 percent from $20 million in FY 2012, after adjusting for inflation. The decrease is largely attributed to a reduction of $3.3 million in one-time funding from DCHD’s unified fund and a Home Purchase Assistance Program (HPAP) repayment account, which was largely offset by the addition of $2.5 million by the DC Council for the Home Purchase Assistance Program during the full Council vote on the budget. The unified fund collects payments from a variety of affordable housing programs; the HPAP repayment account collects repayments of principal and interest of HPAP loans.

The DC Council also voted to maintain the small business technical assistance grant program. This grant provides funds to organizations that provide technical assistance, support and training to small business in the District and had been proposed to be eliminated under the Mayor’s budget submission.

The DC Council also passed a requirement that DHCD begin to track and report on all of the affordable housing units that their agency spends funds to support. This provision will help residents and policymakers understand how DHCD funds are being utilized to create and support a variety of levels of affordable housing in DC.

Home Purchase Assistance Program (HPAP)

A substantial share of funding within DHCD is devoted to home-buying assistance programs, the largest of which is the Home Purchase Assistance Program (HPAP). HPAP provides down-payment and closing cost assistance to help low-income first-time homebuyers.\(^1\) Gross funding for

\(^{1}\) The home purchase assistance programs also contain smaller pots of funding for the Employer Assisted Housing Program (EAHP), which provides home purchase assistance to DC government employees and home buying assistance for DC Police Officers. In addition, a new program is available in FY 2011 to help DC government employees whose
HPAP in FY 2013 — federal and local funds combined — will fall from $17 million to $14 million, a 18 percent decrease from FY 2012.

Funding for HPAP increased substantially in FY 2007 and FY 2008, which supported an increase in the number of families served, as well as an increase in the maximum HPAP loan from $30,000 to $70,000. Yet during the recession, the resources for HPAP have fallen. In response, the District has chosen to reduce the loan amounts from $70,000 to $40,000 in order to continue to try and serve more individuals. For FY 2013, the HPAP program faced a proposed $5 million reduction from the loss of federal funds that had supported the program in the past. The DC Council added $2.5 million to the budget for HPAP to bring the total cut down to $2.5 million. However, total resources for HPAP will still be 15 percent lower in FY 2013 than in FY 2012.

The total number of first-time homebuyers receiving HPAP loans also has fallen with the reductions in funding. In FY 2008, 508 first-time home-buyers were funded with HPAP. By FY 2011, that number had fallen to 223. In FY 2012 and FY 2013 DHCD projects to serve 500 first-time homebuyers in each fiscal year, yet without an increase in funding it is not clear how this will occur.

Affordable Housing Project Financing

Another major function of DHCD is the financing of rental and homeownership opportunities for low-income District residents. This is largely done through the Affordable Housing Project Financing (AHPF) division. The major local programs that support affordable housing financing are the Housing Production Trust Fund (HPTF), and the Tenant Opportunity to Purchase (TOPA) programs. The DC Council restored $15 million of a $20 million proposed cut to the HPTF in FY 2013 by directing the proceeds of the sale of a District owned building into the HPTF.

positions are covered by collective bargaining agreements, purchase homes. This program is called the Negotiated Employee Affordable Home Purchase Assistance program (NEAHP).
Housing Production Trust Fund (HPTF)

The Housing Production Trust Fund (HPTF) supports the construction and renovation of affordable housing. Under legislation enacted in 2002, some 15 percent of deed recordation and transfer taxes are dedicated to the fund each fiscal year. This funding rose substantially after FY 2002, during the District’s real estate market boom. In addition, deed tax rates were raised in FY 2007 to expand funding for HPTF and other housing programs. However, DC’s real estate market cooled substantially starting in 2008 and this resulted in a sharp decline in support for HPTF.

Beginning in FY 2011, DC’s real estate market began to heat up again and as a result of several large commercial property sales and an increase in single-family home sales (see Figure 4). The Mayor’s budget had proposed to take $20 million in new funding for the HPTF in FY 2013, and in future years as well. However, the DC Council was able to restore $15 million of the $20 million cut in FY 2013, by directing proceeds from the sale of a District owned building that is no longer needed, during the final budget vote.2

With the Council’s actions, funding for the Housing Production Trust Fund will be $32 million in FY 2013. This is substantially higher than the $18 million allocated in FY 2012, although it still leaves the Trust Fund support well below pre-recession levels.

While the DC Council nearly restored the cut to the HPTF in FY 2013, it did not address the cuts to the HPTF in the out years of the financial plan period. Beyond the cuts in the out years, other demands on the HPTF will mean that from FY 2014-FY 2016, the capacity of the city to support affordable housing construction, preservation, or to support tenant purchase efforts could be significantly restricted. (See Table 2)

2. In addition, the Council also kept the Housing Production Trust Fund on the priority restoration list at position number 4, so that if future revenues come in high enough — before the District has had a chance to sell the building — the funds will go into the HPTF. In that case, the revenues from selling the building would go to their original purpose of supporting the purchase of land for parks in the NoMa neighborhood.
In FY 2014, for example, some $45 million in deed taxes will flow into the Trust Fund, but due to a variety of factors, including the cuts to the HPTF in the out years, only $10 million would be available for its core purposes. This amount would actually fall further through 2016.

- The District has the authority to use up to $16 million annually to borrow funds to support the New Communities initiative. New Communities is a multi-year program that tears down existing subsidized housing complexes and replaces them with mixed-income housing. Of the $45 million in resources into the HPTF in FY 2014 $11 million is expected to be “securitized” used to secure bonds for the District’s New Communities initiative.

- The current budget calls for $20 million of new HPTF revenue to be transferred in FY 2014 to the DC Housing Authority to fund DCHA’s Local Rent Supplement Program.

- It is likely that the FY 2014 budget would take another $4.5 million for administrative purposes (by law, up to 10 percent of HPTF resources can be used for administrative costs) leaving just $10 million— out of $45 million— for core HPTF purposes in the future.

Additionally, because funding for the HPTF has been so volatile, trying new programs that require on-going subsidies each year to the HPTF puts funding for those efforts at risk and makes it possible that in some years, no funds could be available for core HPTF purposes.

**Tenant Opportunity to Purchase Program.** The TOPA program assists tenant organizations exercise their first-right of purchase when a landlord wants to sell their building, by providing
counseling, earnest money deposits, and loans. In recent years, with limited funding for the Housing Production Trust Fund and federal reductions to the federal Community Development Block Grant funds — two of the major sources for TOPA funding — funding was not available to support tenant purchase efforts at a meaningful level. Now that the DC Council has restored $15 million into the HPTF in FY 2013, the District may be able to support additional tenant purchase projects.

The DC Housing Authority Local Subsidy

The DC Housing Authority (DCHA) operates the federal public housing and Housing Choice Voucher programs. Since FY 2006, the District has provided local funds to DCHA to help cover a shortfall in federal funding for the voucher program, to fund security forces at DCHA managed buildings, and to support a new Local Rent Supplement Program (LRSP), following a recommendation of the city’s 2006 housing task force for nearly 15,000 new rent subsidies over 15 years.

The proposed DC Housing Authority subsidy for FY 2013 is $34 million, a $12 million increase from FY 2012. The majority of these additional local funds, $8 million, are needed simply to maintain the DCHA programs and services the local subsidy supports. This is because DCHA relied on its own reserves to cover some of these costs in recent years, but those reserves will largely been depleted by the end of FY 2012. However, the budget also reflects a $4 million increase added by the DC Council to the DC Housing Authority to support an increase in the local rent supplement program that would provide housing assistance to between 200 and 300 homeless families that are currently in DC’s homeless shelter system.

The DC Council also added a provision to add $2 million to the DCHA subsidy starting in FY 2014 that will go toward expanding the project- and sponsor-based side of LRSP. This part of the LRSP program ties vouchers to specific projects or non-profit organizations to provide housing to very low-income DC residents. The funding should support between 200 and 250 additional LRSP subsidies.

The Mayor’s FY 2013 budget included a proposal, similar to FY 2012, to fund the local rent supplement program by taking $20 million from the Housing Production Trust Fund (HPTF) which is intended to fund affordable housing construction, renovation, and tenant purchase. In FY 2012, $18 million of HPTF funds were used to keep the LRSP program whole. Yet when LRSP was first created by the District it was supported with local dollars. With the Council’s restoration of $15 million into the HPTF in FY 2013, this will mean that just $5 million from the HPTF will go to the local rent supplement program in FY 2013.

The addition of the $4 million into the LRSP program in FY 2013 and $2 million in FY 2014 will mark the first expansion of the program since FY 2008. The Comprehensive Housing Strategy Task Force set a goal in 2006 for the District to create roughly 14,600 subsidies in 15 years, or roughly 1,000 subsidies a year. To date, the District has funded roughly 1,700 households under the Local Rent Supplement Program. The additional $4 million will support the creation of between 200 and 250 new subsidies in FY 2013; the additional $2 million will support the creation of 200-250 new subsidies in FY 2014. However, despite the addition, the District will still be approximately 4,950 units behind its goal of 6,900 units in FY 2013, seven years after the Task Force report.

3 To read more about DC’s homeless system and the FY 2013 budget, see: http://www.dcfpi.org/fy13-budget-toolkit
Other Affordable Housing Funding in the FY 2013 Budget

Affordable housing programs are also carried out in two other agencies, through the Bridge Subsidy Program at the Department of Mental Health and the Permanent Supportive Housing program within the Department of Human Services.

Home First Program

The Home First program at the Department of Mental Health is designed to help individuals ‘bridge’ from temporary housing into long-term stable housing by providing them transitional housing and services to help them move towards independent living. The FY 2013 budget for the Home First program is $7.9 million, an increase of $1.2 million over the FY 2012 budget after adjusting for inflation. This increase will allow for the creation of 100 additional units of affordable housing and is part of a larger requirement of the District to add 300 additional units of supportive housing as part of the District’s exit criteria from a long-standing class action lawsuit commonly referred to as “Dixon.”

Permanent Supportive Housing

The Permanent Supportive Housing Program, known as Housing First, was created in FY 2009 with $19 million to place chronically homeless individuals and families into permanent supportive housing with case management services. The program contained a capital component for site acquisition and renovation needs and an operating component for case management services and ongoing operating costs such as a rental subsidies.

In FY 2013, the local budget for Permanent Supportive Housing is $19 million, a decrease of $4 million, or 21 percent, over the FY 2012 budget of $22 million. The gross funding level — both federal and local — would fall from $27 million in FY 2012 to $25 million in FY 2013, a 7 percent reduction, after adjusting for inflation.

The local funding cut will result in a reduction to case management services. The local funding cut also assumes some local savings by shifting some people in the PSH program from local to federal housing vouchers. In FY 2013, DHS expects to serve the same number of people as in FY 2012; 863 individuals and 265 families. For a more detailed analysis of the permanent supportive housing program, see DCFPI’s toolkit piece on the FY 2013 budget for homeless services at http://www.dcfpi.org/fy13-budget-toolkit.

Revised Revenue Contingency List

As part of the FY 2013 Budget Support Act, Mayor Gray included a contingent list of programs, including affordable housing programs, which he wanted to see funded if future revenue estimates showed revenue surpluses during the next three quarters. The DC Council made some changes to the list; however they kept two important restorations to housing programs on the list:

- $18 million for Housing Production Trust Fund (unless DC owned building sells before
- $2.9 million for Home Purchase Assistance Program
The next revenue estimate should be released sometime in June and this analysis will be updated at that time to reflect any further increase in funds for affordable housing.