

**TESTIMONY OF JENNY REED, POLICY DIRECTOR  
DC FISCAL POLICY INSTITUTE**

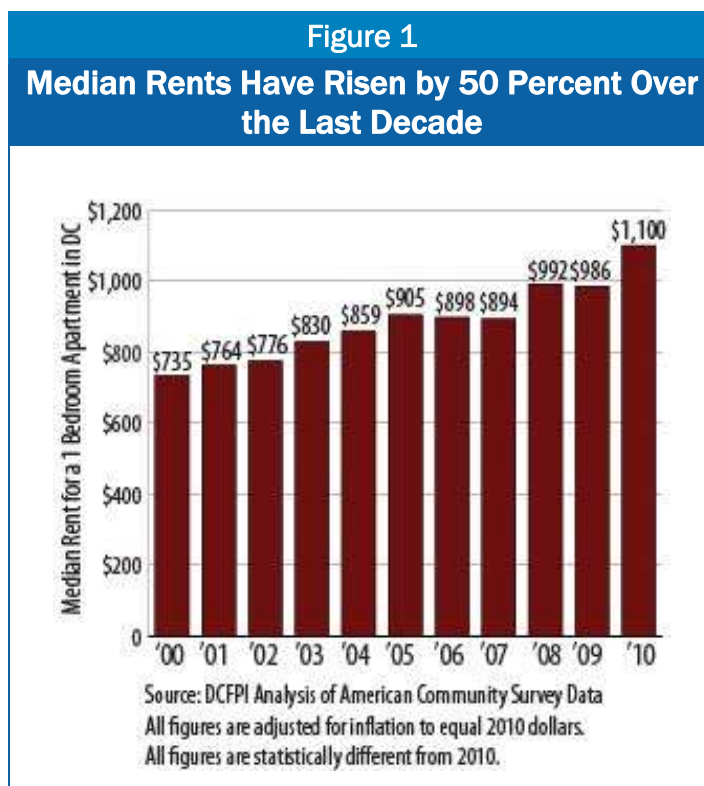
**At the Public Roundtable on Long Term Funding and Planning: Ensuring Survival of the  
Local Rental Supplement Program  
Committee on Housing and Economic Development  
October 26, 2012**

Chairman Brown and members of the Committee, thank you for the opportunity to speak 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 today to testify on the rapid loss of affordable housing in the District and talk about the District's Local Rent Supplement Program — one of DC's key affordable housing tools to help very low-income residents.

A recent report from DCFPI showed that over the last decade the District lost a significant amount of low-cost rental housing as rental prices rose rapidly. In fact, as Figure 1 shows, median rents in DC have risen by 50 percent over the last decade. Rents even continued to rise in DC during the recession and grew more than 20 percent — which means rents grew faster here in DC during the recession than in the seven years leading up to it.

Rising rents meant that many homes that were once affordable to low- and moderate-income DC residents no longer are. In fact, DC has lost more than 50 percent of its low-cost rental units (meaning rental units with rent and utility costs of less than \$750 a month) over the last decade. Figure 2 shows that in 2000, DC had 70,600 units of low-cost rental housing. By 2010, that number had fallen to just 35,500. Low-cost rental units made up nearly 50 percent of DC's rental stock in 2000,



by 2010 that number had fallen to just 24 percent. It is likely that a large share of the low-cost units are ones with a federal or local subsidy.

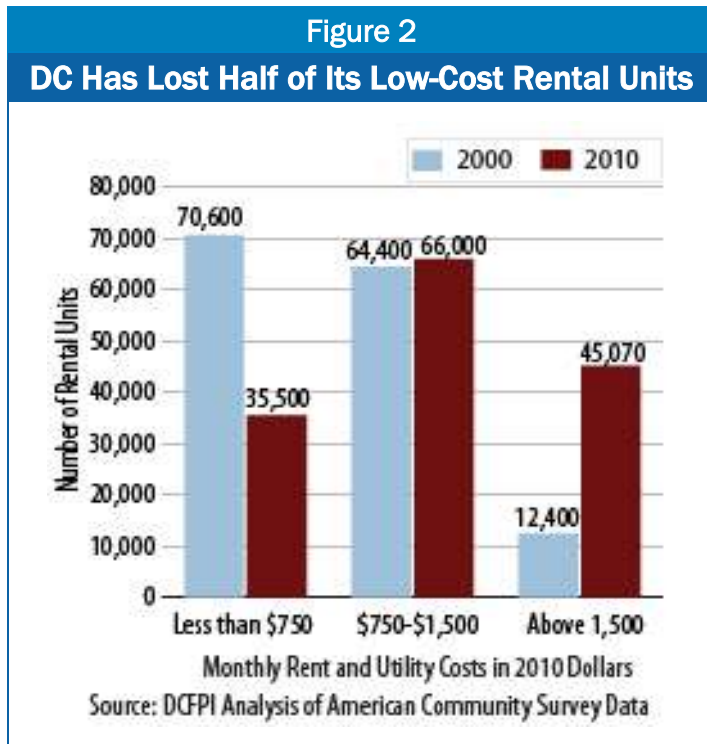
At the same time that housing costs have rapidly increased, the incomes of DC households have not kept pace — especially for low- and moderate income households. In fact, for the lowest-income 40 percent DC households, average households income had no statistically significant change over the last decade (see Table 1). This means that rising rental prices are hitting those who can least afford it.

With rapidly rising housing costs and stagnant incomes for many DC households, more and more DC households are now paying more than 50

percent of their income on housing. Spending more than 50 percent on one’s income on housing is considered a severe housing burden by the US Department of Housing and Urban Development and leaves families little left

over each month for other basic necessities like food, clothing and medicine. In fact, research shows that very low-income households who had severe housing burdens spent \$160 less on food, \$28 less on health care, \$152 less on transportation, and \$51 less on retirement savings than unburdened households.<sup>1</sup> In 2010, one in five DC households paid more than half of their income on rent — an increase of 40 percent since 2000. The large majority of those households earn less than 30 percent of area median income — or \$32,450 for a family of four. (see Figure 3)

DC’s Local Rent Supplement Program helps makes housing affordable to families with very low-incomes. The program helps to do that by paying the difference between the market rate cost of a home and what a very low-income family can afford to pay which is limited to 30 percent of their income. This is the share of income for housing that the US Department of Housing and Urban



**Table 1**  
**Average Incomes Have Not Grown for Most Low- And Moderate- Income DC Households**

Quintile	Average Income 2000	Average Income 2010	Percent Change
1	\$9,466	\$9,062	-4%
2	\$29,561	\$32,500	10%
3	\$50,772	\$61,035	20%*
4	\$83,121	\$102,994	24%*
5	\$211,121	\$259,204	23%*

Source: DCFPI Analysis of American Community Survey Data, all figures are adjusted to equal 2010 dollars. \* Indicates a statistically significant difference.

<sup>1</sup> Joint Center for Housing Studies at Harvard University, “The State of the Nation’s Housing (2011),” <http://www.jchs.harvard.edu/research/publications/state-nation%E2%80%99s-housing-2011>.

Development considers affordable. It also helps to ensure that very low-income families have income left over each month for other basic necessities.

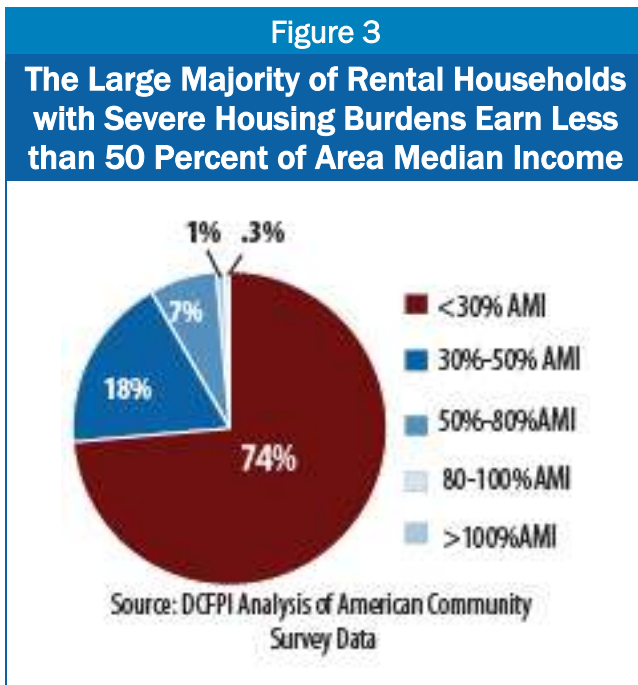
In 2006, the District's Comprehensive Housing Strategy Task Force recommended that the District provide assistance for very low-income renters and recommended that DC create nearly 15,000 subsidies over 15 years. In 2007, the District created the Local Rent Supplement Program. To date, the District has supported the creation of just over 1,900 LRSP slots. This means that the District is nearly 5,000 slots behind where it should be at this point — 6,900 — to meet the goal of 15,000 subsidies in 15 years.

LRSP assistance is provided in three ways:

- **Tenant-based vouchers** are provided directly to families or individuals, who can use the voucher for any rental unit under the Fair Market Rent in the District. The voucher stays with the family, even if they decide to move to another rental unit in the District.
- **Project-based vouchers** are provided to for-profit or non-profit developers for specific units that they make available to low-income families. Unlike tenant-based vouchers, these vouchers are not portable and stay with the unit. The units must be made affordable over the life of the project. Although it is not required, many project-based vouchers are awarded to developments that also provide supportive services, such as counseling, to the low-income residents.
- **Sponsor-based vouchers** are awarded to a landlord or non-profit group for affordable units they make available to low-income families. Unlike project-based vouchers, these vouchers are portable and can be moved to another unit run by the non-profit or the landlord. Sponsor based vouchers are awarded only to groups that agree to provide supportive services to residents housed in the affordable units.

LRSP is also often used in conjunction with other affordable housing program, like the Housing Production Trust Fund, to make housing that is built affordable to those on very low-incomes. It can be difficult to make housing affordable to those with very-low incomes without some kind of operating subsidy like LRSP since the rents that are affordable to those with very low-incomes are often not enough to cover the cost of building new housing.

For the last two years, the Mayor has included language in the budget support act to not let families onto the tenant based portion of LRSP when other families leave and each year the Council has rejected this. Housing vouchers are a core part of federal housing policy and still seen as a key tool to help meet the affordable needs of very low-income households. In addition, if we were to rely solely on the project- and sponsor-based components of LRSP it is likely that we would not have enough units to meet the needs of very low-income families. Utilizing a portion of the LRSP program for tenant-based vouchers allows families to go straight to the private market to obtain a rental unit.



Lastly, rental subsidies like LRSP are needed in an ongoing way because many families — low-wage workers, people with disabilities, retirees — simply do not earn enough each month to pay DC’s very high rents. While it is certainly a reasonable goal to move people towards employment opportunities that allow them to afford a home without a rental subsidy the fact of the matter is residents need an affordable place to live while they work toward that goal. As DC works to improve its workforce development capacity and is able to get people into better paying jobs the exit rate from subsidized housing will grow. But, with the prevalence of low-wage jobs in the District the fact is that there will continue to be low-income working families who will just not be able to afford DC’s high rents and will need assistance.

With the District being so far behind in its goal to provide 15,000 units of rental assistance, with affordable housing problems growing worse, and the affordable housing stock shrinking, now is not the time to scale back the District’s capacity to create affordable housing. We urge the Mayor to reverse his decision to not let new families obtain LRSP vouchers when families leave the program. Even though there are currently only 17 unused slots, 37,800 very low-income families are paying more than half of their income on rent. The District should be utilizing all of its currently available resources to help meet the affordable housing challenges of its residents.

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