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TESTIMONY OF JENNY REED, POLICY DIRECTOR
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At the Public Forum on the Comprehensive Housing Strategy Task Force
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Members of the Comprehensive Housing Strategy Task Force, thank you for the opportunity to testify 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 want to focus my testimony on four key areas today:

- The need to set ambitious numerical goals for the District's Comprehensive Housing Strategy
- The importance of focusing limited housing resources on low-income families who face the most serious challenges
- The effective tools DC has in place to create affordable housing
- The need for the District to increase the resources it devotes to affordable housing in order to see measurable progress.

Over the last 10 years DC's housing market has experienced a rapid rise in housing costs that has lead to a substantial loss of low-cost housing. Rents have risen by more than 50 percent faster than inflation and home values have nearly doubled. In large part, due to those skyrocketing housing costs, DC has lost than half of its low-cost rental units and more than two thirds of its low-value homes.

At the same time that housing costs have jumped up, the incomes of DC households haven't kept pace—and for many haven't even grown. In fact, for the bottom 40 percent of DC households their incomes haven't increased in the last ten years beyond inflation. The rising housing costs and stagnant incomes mean that more and more DC households are now paying more than 50 percent of their income on housing. This isn't a good result for many low- and moderate income households for whom research has shown that they have less—and as a result spend less—on other necessities like transportation, food, retirement savings and health care when faced with severe housing burdens.

A continued path of housing costs growth far outstripping the growth of incomes isn't a healthy way for our economy to grow. Housing cost growth has outpaced the growth in incomes for even DC's top earning households. And not only are more DC households facing severe housing burdens, but the incidence of severe burdens is moving up the income ladder. And while the recession and housing market bust may have brought down the prices of homes somewhat, they median home value in 2010 was nearly double the home value at the start of the decade and rents actually increased faster in DC during the recession than in the seven years leading up to it.

The George Mason University Center for Regional Analysis estimates that DC will need to build an additional 37,000 to 123,000 new housing units to support the estimated job growth that will occur between 2010 and 2030.[1] Given that there is little public land and some restrictions on adding significant numbers of housing units (such as DC's height limits) it seems that it would be difficult to produce this much housing in DC in 20 years.

Without this increase in supply to meet the new demand for housing, it is likely to put even greater pressure on housing prices. But increasing supply alone will not be enough to bring down housing costs to make them affordable to DC's low- and moderate-income households. The District will need to address the rapidly rising housing costs in DC if it is going to be able to produce the housing that is in-line with the needs of the District's current, and future, workforce to slow the rise in severely burdened households.

In order to maintain, and continue to build, a dynamic and economically diverse DC, the District needs to make the creation and preservation of housing affordable to low- and moderate-income residents a higher priority. The District has a significant number of low- and moderate wage jobs that are critical to making our city run every day. But we are rapidly losing the affordable housing those workers need to be able to live here and work here.

The Task Force should adopt a plan that acknowledges, and plans for, the future housing needs of the District's workforce and residents but that also recognizes that the private market just doesn't build affordable housing to low- and moderate-income DC residents on its own. The Task Force should adopt goals for the creation and preservation of affordable housing that helps our current residents, with a focus on those facing severe burdens or homelessness, and that builds for the future workforce the District will attract—at all income levels.

The Comprehensive Housing Strategy Task Force Should Set Bold Numerical Goals for the Production and Preservation of Affordable Housing

The goals set by the Task Force should be ambitious so that they address a substantial share of the need for housing. Over 51,000 households in DC have severe housing burdens. While it's not possible to create 51,000 units in one year, any goals that task force adopts should take into account the current needs of DC residents and future needs of DC's growing workforce. In addition, to allocate finite resources effectively and efficiently, the District needs to have in place a set of goals for affordable housing that can be measured, tracked, and evaluated on an annual basis. DCFPI urges the Task Force to set numerical targets around the production and preservation of affordable housing. More specifically:

Production: The Task Force should set a numeric target for the production of new affordable housing. In 2006, the previous Task Force set a goal of producing roughly 34,000 units of

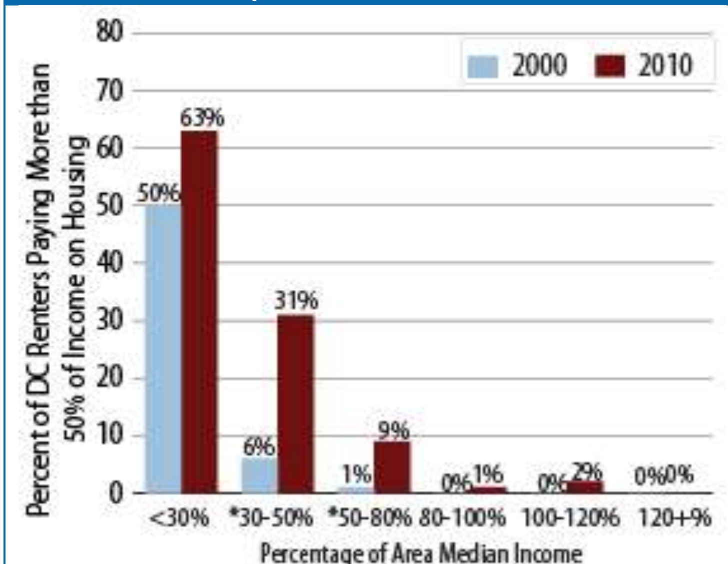
[1] Lisa Sturtevant and Stephen Fuller, "Housing The Region's Future Workforce: Policy Challenges for Local Jurisdictions," October 2011, http://66.147.244.232/~lifeats1/cra/pdfs/studies_reports_presentations/Housing__the_Regions_Workforce_Oct_2011.pdf.

affordable housing over 14 years through new construction and the creation of a local operating subsidy. These units were targeted at income ranging from less than 30 percent of area median income up to 80 percent of area median income.

Preservation: The Task Force should also set a numeric target for the preservation of affordable housing. In 2006, the Task Force set a goal of preserving 30,000 units of affordable housing over the next 14 years for low- to moderate-income households.

Tracking & Evaluating: The District should measure and track the affordable housing that is being built each year by area median income and report on the progress toward achieving the set goals on an annual basis. In addition, the District should look every five years at the goals that were set, how well the District is achieving those goals, and what changes need to be made to policies or resources to meet the goals.

FIGURE 1: The Incidence of Severe Burdens Is Moving Up the Income Scale



Source: DCFPI Analysis of American Community Survey Data
* Indicates a statistically significant difference from 2010.

The District's Support for Affordable Housing Should Focus on Households with Incomes of 80 percent of Area Median Income or Below

The number of households with severe housing burdens has risen by nearly 40 percent since the start of the decade so that in 2010 one in five DC households—or 51,150 households—paid more than 50 percent of their income on housing. The rise was found almost exclusively among rental households.

Very low-income households (those earning less than $31,150 for a family of four) are the most likely to face severe housing burdens. In 2010, over 60 percent of very-low income households paid more than half of their income on housing (see figure 1). In fact, while the typical very low-income household paid about 49 percent of their income on housing in 2000, in 2010 the typical low-income household pays 69 percent of their income on housing.

The likelihood of having severe housing burdens is growing among moderate income households. In 2000, just over six percent of renter households, who earned between 30 percent and 50 percent of area median income — $30,686 to $51,143 for a family of four in 2010 — paid more than half of their income on rent. By 2010 that number had risen to 31 percent. For rental households with income between 50 percent and 80 percent of area median income — $57,570 to $82,800 for a family of four in 2010 — the number has risen from less than one percent with severe housing cost burdens in 2000 to nine percent in 2010.

Yet, the incidence of severe housing burdens drops precipitously above 80 percent of area median income. Only 1% of DC households with incomes of 80 percent and 100 percent of AMI spend more than half their income on housing. This suggests that in a time of scarce resources DC should be concentrating its support for affordable housing among those most likely to face severe burdens with the largest share going towards very low-income (less than 30 percent of AMI), low-income (30-50 percent of AMI) and moderate-income (50-80 percent of AMI) households, respectively.

The Task Force Should Support Several Key Programs the District Has in Place as Well as Look to Untapped Resources to Build and Preserve Housing

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. As the Task Force develops its recommendations, DCFPI suggests that these tools play a key role in the production and preservation of affordable housing:

- **The Housing Production Trust Fund (HPTF)**. The HPTF is DC's main tool for affordable housing construction and preservation. Since 2002, the Trust Fund has helped to create over 7,500 affordable units to residents with incomes ranging from less than 30 percent of area median income up to 80 percent of area median income.

- **The Tenant Purchase Program (TOPA).** TOPA has helped to preserve over 1,500 units of affordable housing in DC since 2002 and is one of DC's key anti-displacement tools. In addition to providing tenants more control over their living conditions, it often gives many tenants a first chance at homeownership.

- **The Local Rent Supplement Program (LRSP).** LRSP provides a rental subsidy to help very low-income residents, those making less than $30,000 a year — live in affordable homes. It is available directly to tenants as well as non-profit providers.

- **Permanent Supportive Housing (PSH).** PSH provides supportive housing for chronically homeless individuals and families. It provides not only a rental subsidy to help them in affordable homes but is also provides services to help residents get back on their feet.

- **Inclusionary Zoning (IZ)**. IZ is an affordable housing tool that helps create housing affordable to moderate-income residents throughout the District. IZ requires new residential developments to set aside a portion of those units as affordable in return for density bonuses that reduce construction costs.

- **Home Purchase Assistance Program (HPAP).** HPAP provides low- and no-interest loans to low-income first-time homebuyers in DC. In FY 2011, the program helped more than 200 first-time homebuyers in DC.

- **Schedule H.** Schedule H is DC's low-income property tax relief program for both renters and homeowners. It provides a refundable credit to eligible DC residents when they file their income tax return. Unfortunately, Schedule H has not been updated since the 1970's and current income limits and assistance totals limit both the reach of the program and its ability to provide sufficient relief.

The Task Force Will Need to Recommend Additional Resources in order to Create More Affordable Housing

Creating a sufficient amount of affordable housing will require additional resources. 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. The HPTF has also faced significant budget cuts for the last two years. 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. Yet, these funding levels will not be sufficient to support a substantial increase in the production and preservation of affordable housing since much of the funds will be tied to maintaining existing programs.

I know that one of the challenges of this task force is to find more resources for housing—including the Housing Production Trust Fund. Allocating more of the District's resources toward affordable housing should be a priority for the District. In addition to increasing the overall funding for affordable housing from DC's local funds, DCFPI also suggests that the District utilize its public land to build more affordable housing. By requiring set-asides for affordable housing on public land when the land is turned over to a private developer for residential use, the District can leverage the value of one of its resources—land—to create more affordable housing.

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