WHAT'S IN THE FY 2014 BUDGET FOR AFFORDABLE HOUSING?

Summary of the FY 2014 Budget for Affordable Housing

The fiscal year 2014 general fund budget for affordable housing is $125 million from a variety of sources. This represents a $29 million, or 30 percent increase from the approved FY 2013 budget, after adjusting for inflation.

The FY 2013 revised budget also includes $64 million in one-time funds for the Housing Production Trust Fund. When adjusting for those funds, the FY 2014 budget represents a $35 million decrease from the fiscal year 2013 revised budget, after adjusting for inflation.

During his state of the District speech, Mayor Gray pledged to allocate $100 million towards affordable housing in his upcoming budget. He also announced a goal of creating 10,000 new units of affordable housing by 2020. Increases in revenue collections recently announced by DC’s Chief Financial Officer for both FY 2013 and FY 2014 allowed Mayor Gray to propose allocating the $100 million as follows:

- $87 million for the Housing Production Trust Fund to support the creation and preservation of affordable housing.
- $4 million to support the continued efforts to create an affordable housing database.
- $3 million for the Local Rent Supplement program to help create affordable housing for very low-income families.

SUMMARY OF THE FY 2014 BUDGET

- The fiscal year 2014 local budget for affordable housing is $125 million, which represents an increase of 30 percent, or $29 million over the approved FY 2013 budget, after adjusting for inflation.
- The budget includes funding from the Mayor’s pledge to allocate $100 million for affordable housing. The funds will be spent over FY 2013 and FY 2014 on a variety of programs.
- The FY 2013 supplemental budget added $64 million in one-time funds to DC’s Housing Production Trust Fund that builds and preserves affordable housing in DC.
- The budget includes a $9.75 million increase to the Local Rent Supplement program which will help create 880 affordable housing units for very low-income families and individuals.
- The FY 2014 budget includes a $2.2 million increase to Permanent Supportive Housing which will help create 115 units of affordable housing for chronically homeless individuals and families.
- The DC Council added several amendments to the Budget Support Act, including provisions to strengthen reporting on DC New Communities program and to require local rent supplement vouchers (LRSP) to be reissued when families leave the program.
$3 million for housing for victims of domestic violence.

$1 million for the home purchase assistance program which helps low-income first time homebuyers.

$1 million for rapid re-housing which helps homeless families exit shelter quickly.

$1 million for emergency rental assistance that helps prevent families and individuals from becoming homeless.

The final FY 2014 budget adopted by the Council kept the vast majority of the Mayor’s $100 million proposal for affordable housing. The one exception was that the Council reduced the Mayor’s proposal for $4 million for an affordable housing database to $2.6 million.

The DC Council identified further funding to increase tenant vouchers in LRSP and the Permanent Supportive Housing program, which are programs that can provide assistance quickly to help meet some of the current affordable housing needs. The added funding for the Housing Production Trust Fund, while critical, will take a year or more to result in new units, because the Trust Fund supports housing construction and renovation. The Council also added funds to LRSP to increase the project and sponsor-based side of LRSP that help fund the production of very low-income housing. Some of these units could also take a year or more to result in new units because of their being tied to production.

The DC Council also added a new provision to strengthen the reporting on outcomes and progress of the District’s New Communities program, which is intended to re-develop four public housing developments around DC into mixed-income communities as well as a requirement that tenant-based vouchers that become available in the local rent supplement program when a family no longer uses it are re-issued to new families. In prior years, the Mayor had directed that vouchers that become available through attrition sit unused.

**Analysis of the FY 2014 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. 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.

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1 This program is outside the scope of DCFPI’s affordable housing toolkit

2 The program is discussed in DCFPI’s toolkit on homeless services, visit: http://www.dcfpi.org/fy14-budget-toolkit

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

As a result of the Great Recession, funding for affordable housing began to fall in FY 2009 and fell continuously through FY 2012 when total funds for affordable housing hit a seven-year low. The nearly 40 percent drop in funding during this period left the city’s affordable housing tools largely stagnant, with funding used to maintain most programs at their prior-year levels. The exception is the Housing Production Trust Fund (HPTF), where resources fell significantly when the recession hit and 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 and FY 2013, the HPTF was significantly cut.

The FY 2014 budget reverses the downward trend for funding for affordable housing. Through a mid-year supplemental budget, $64 million was added to the HPTF in FY 2013. This nearly doubles the total resources for affordable housing compared with FY 2012. Funding for FY 2014 also is far higher than spending on affordable housing in FY 2012. The increase in funds in both FY 2013 and FY 2014 will help kickstart progress on the mayor’s goal of 10,000 new units of affordable housing by 2020.

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 2014. Local funding for affordable housing will peak in FY 2013 (the FY 2008 figure includes a $30 million allocation to the HPTF approved in a supplemental budget), with a near doubling of funds from the low of $82 million in FY 2012.

Total funding for FY 2014 is $125 million which represents a $35 million decrease, or nearly 22 percent, from the fiscal year 2013 revised budget, after adjusting for inflation (unless otherwise noted, all figures are adjusted for
inflation to equal FY 2014 dollars). However, as mentioned previously, the FY 2013 revised budget includes $64 million in one-time funds for the Housing Production Trust Fund that are not available in FY 2014. When adjusting for those funds, the FY 2014 budget for affordable housing is $29 million, or 30 percent, higher than the FY 2013 budget – and above expenditures in any year since FY 2008.

Figure 2 shows the contribution each of the major affordable housing sources funded from District local funds makes to the total $125 million in funding for affordable housing in FY 2014. Table 1 looks at the change in funding for each of the major affordable housing sources from FY 2008 to FY 2014.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Changes in Funding for DC’s Main Affordable Housing Sources, FY 2008 – 2014*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Housing and Community Development</td>
<td>$21</td>
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<tr>
<td>Housing Production Trust Fund</td>
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<tr>
<td>DC Housing Authority</td>
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<tr>
<td>Permanent Supportive Housing</td>
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<tr>
<td>Department of Mental Health Bridge Subsidy</td>
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</tr>
<tr>
<td>Total</td>
<td>$137</td>
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* Dollars are in millions, adjusted for inflation to equal FY 2014 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 and $67 million in one-time funding from the FY 2013 revised supplemental budget.
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 $21 million in FY 2014, not including the Housing Production Trust Fund, which is described separately in this analysis. The DHCD budget is an increase of 7 percent from $19 million in FY 2013. The increase is largely attributed to expected increase in special purpose revenue funds collected from DHCD’s unified fund and a Home Purchase Assistance Program (HPAP) repayment account. 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. DHCD plans to use these funds to increase its contractual services for technical assistance transition. It is unclear from the budget documents what exactly this technical assistance will do.

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. Gross funding for HPAP in FY 2014 — federal and local funds combined — will be flat in FY 2014 at $14 million.

Figure 3
Gross Funds for Home Purchase Assistance Are Flat in FY 2014

Dollars in millions, all figures are adjusted for inflation to equal FY 2014 dollars.
Source: OCS/DoH

4 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 positions are covered by collective bargaining agreements, purchase homes. This program is called the Negotiated Employee Affordable Home Purchase Assistance program (NEAHP).
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, resources for HPAP fell in the recession. 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 2014, the HPAP program is flat funded.

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 2012, that number had fallen to 179. In FY 2013 and FY 2014, DHCD projects to serve 260 first-time homebuyers in each 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.

**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. DC’s real estate market began to heat up again in FY 2011 and resources for the HPTF began to rise.
However, in both FY 2012 and FY 2013, the mayor's budget cut approximately $20 million in new funding for the HPTF.

The FY 2014 budget and revised FY 2013 budget significantly increase resources for the HPTF (see Figure 4, previous page). In fact, resources for the HPTF in FY 2013 are $78 million, nearly three times the resources the HPTF received in FY 2012. Total resources in FY 2014 are $36 million and will more than double the resources available in the FY 2013 approved budget (not including the $64 million in one-time finds).

The increase in the FY 2014 budget reflects the mayor’s decision to undo a $20 million cut in the Housing Production Trust Fund (HPTF) that was made in FY 2012 and FY 2013 and that was expected under the current budget to remain in place through FY 2016. In FY 2012 and FY 2013, the funds cut from HPTF funds were used largely to maintain the Local Rent Supplement Program (since the budgets for those years also cut direct appropriations to LRSP).

**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 budget will add significant resources into the HPTF in FY 2013 and FY 2014, the District may be able to support additional tenant purchase projects.

**Single-Family Rehabilitation and Lead Safe Washington programs.** The FY 14 budget significantly increases funds for the single-family rehabilitation program and lead safe Washington program, both operated by DCHD. The increases to both programs are almost exclusively from an increase in HPTF funds shifted into the programs. Gross funding for the single family rehabilitation program— which helps low-income homeowners finance repairs that address health, safety concerns, building code violations, roofs repairs, and improve accessibility — would increase from $3.3 million in FY 2013 to $10 million in FY 2014. The DC Council added a requirement that DHCD devote 50 percent of the funds to be spent on homes of elderly residents.

Funding for the lead-safe program would increase from $2.1 million in FY 2013 to $9.6 million in FY 2014. The lead-safe program provides funds to low-income households (or owners of buildings that have low-income tenants) to help identify and mitigate lead paint hazards.

**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 the Local Rent Supplement Program (LRSP) that was created in 2007 following a recommendation of the city's 2006 housing task force.
The DC Housing Authority subsidy for FY 2013 is $39 million, a $3.3 million increase from FY 2013. The budget includes $9.75 million in additional funds for the Local Rent Supplement Program that will help create roughly 880 new housing units affordable to very low-income families and individuals. At the same time, the budget calls for DCHA to use $5 million of its LRSP fund balance, or currently obligated but unspent funds, in FY 2014. When the fund balance use and new appropriation are combined, DCHA’s subsidy in FY 2014 will be $3.3 million higher than in FY 2013. The remaining decrease is a result of adjusting for inflation.

The additional $9.75 million for LRSP will be divided up as follows: $6.5 million will go toward expanding the project- and sponsor-based side of LSRP. 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 approximately 650 additional LRSP subsidies. The remaining $3.25 million will go toward the tenant based side of LRSP and help make nearly 230 homes affordable to very low-income families. The tenant based side of LRSP provides rental assistance directly to families that they can use to help make private market rate rental units affordable.

This marks the second year in a row that LRSP has been expanded. The program was not increased from FY 2009 through FY 2012, but the FY 2013 budget included $4 million to provide vouchers to families living in homeless shelter. The Comprehensive Housing Strategy Task Force set a goal in 2006 for the District to create roughly 14,600 subsidies in 15 years, or about 1,000 subsidies a year. Including the FY 2014 additions, the District has funded about 2,730 households under the Local Rent Supplement Program. Yet, even with the recent additions, the District still will be approximately 5,170 units behind its goal of 7,900 units in FY 2014, eight years after the Task Force report was released.

The DC Council added language to require that Local Rent Supplement vouchers are re-issued once a family leaves the program. In the past few years, the mayor had directed DCHA not to reissue vouchers when a family left, thus shrinking the program through attrition over time. In addition, the DC Council added language that would strengthen the reporting requirements and outcomes associated with the New Communities program. While managed by the Deputy Mayor for Planning and Economic Development, New Communities works to rebuild four public housing complexes around DC as mixed-income communities.

Other Affordable Housing Funding in the FY 2014 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 — which will be absorbed into a new Department of Behavioral Health in FY 2014 — 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 2014 budget for the Home First program is $8 million, a 1 percent decrease over the FY 2013 budget.
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 rental subsidies.

In FY 2014, the local budget for Permanent Supportive Housing is $21.3 million, a $1.9 million increase over the FY 2013 budget. The gross funding level — both federal and local — would increase from $25 million in FY 2013 to $28 million in FY 2014, an 11 percent increase, after adjusting for inflation.

The increase in local funding could help serve up to 93 additional chronically homeless residents. 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/fy14-budget-toolkit](http://www.dcfpi.org/fy14-budget-toolkit).