

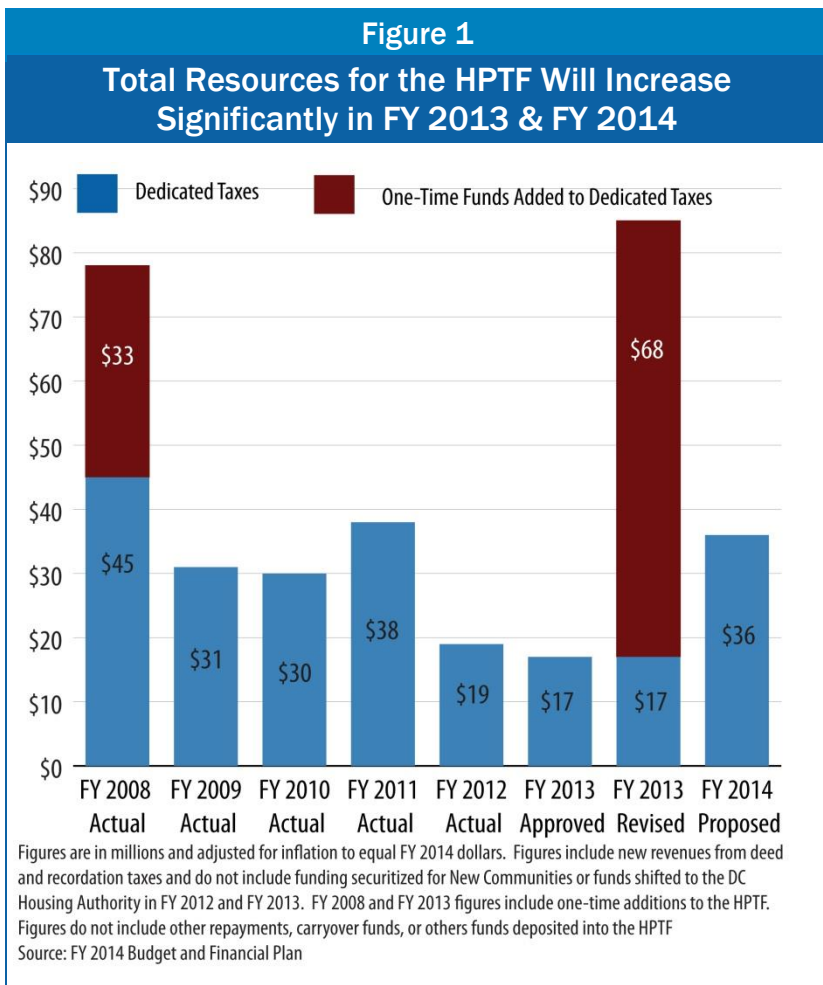
**TESTIMONY OF JENNY REED, POLICY DIRECTOR
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**At the Public Hearing on the
Fiscal Year 2012-2013 Budget Oversight Hearing
for the DC Department of Housing and Community Development
District of Columbia Committee on Economic Development
April 24, 2013**

Chairman Bowser and members of the Committee, 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 am here today to testify in support of the proposed \$87 million increase in funding for the Housing Production Trust Fund as well as the need for increased transparency of the HPTF.

The Housing Production Trust Fund (HPTF) — which is managed by the DC Department of Housing and Community Development — is DC's main source for affordable housing construction and renovation. The HPTF also assists tenants who wish to purchase their building when it is put up for sale. 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, starting in 2008, DC's real estate market cooled substantially and this resulted in a sharp decline in support for HPTF. As DC's real estate market began to heat up again in FY 2011, resources for the HPTF began to rise. Yet, in both FY 2012 and FY 2013, the mayor's budget cut approximately \$20 million in new funding for the HPTF. Those cuts were set to stay in place through 2016.

The mayor's proposed FY 2014 budget and revised FY 2013 budget would significantly increase resources for the HPTF (see **Figure 1**, previous page). Funding for the HPTF in the revised FY 2013 budget is \$82 million, nearly three times the FY 2012 funding level. Total resources in FY 2014 are proposed to be \$36 million and would more than double the resources available in the FY 2013 approved budget (not including the \$67 million in one-time funds). It is notable that the proposed FY 2014 budget would devote the full 15 percent of deed taxes to the Trust Fund in FY 2014 and in future years, and would not re-direct any of those funds to other programs, as has been done in recent years.

The increase in funding for the HPTF will help DC kickstart the Mayor's goal of creating 10,000 new units of affordable housing by 2020. The \$87 million should help create and/or preserve roughly 1,200 units of housing, affordable for very low-income (less than 30 percent area median income or \$32,200 for a family of four), low-income (between 30 and 50 percent, or \$53,650, of AMI for a family of four) and moderate-income (between 50 and 80 percent, or \$66,750, AMI for a family of four) residents.¹

Looking ahead, proposed funding for the HPTF beyond FY 2014 is expected to be relatively flat, growing less than one percent over the financial plan period, after adjusting for inflation. A \$36 million annual contribution to the HPTF would produce approximately 480 units a year.² This is by no means the only mechanism DC has to create affordable housing, but as DC's main source for affordable housing construction and preservation, it highlights that other resources will be needed to reach the Mayor's goal of 10,000 net new units of affordable housing and 8,000 units of affordable housing preserved by 2020. Infusions of funds like those made for FY 2013 will be needed in future years to meet these goals, which also were recommended by the recent housing task force.

As funding for the Housing Production Trust Fund is restored and the fund becomes more active, it becomes increasingly important to have solid information on how it is operating. While we can *estimate* how many affordable units will be funded by the Housing Production Trust Fund, we don't have a good sense of how much affordable housing actually will be built from the HPTF this year or in the upcoming fiscal year because DHCD hasn't produced a HPTF report since the fourth quarter report of FY 2011.

The health of the HPTF is crucial to solving the affordable housing problem in DC. The reports produced by DHCD help provide transparency of the HPTF. They allow the Council and the public to see: what resources are available, what projects continue to be committed/obligated in the pipeline, whether the fund is oversubscribed — meaning it has more obligations than resources — and the availability of funds in the coming year.

¹ This assumes an average per unit subsidy of \$75,000. Total units could vary depending on the level of subsidy awarded for each project.

² Ibid

The transparency of the HPTF throughout the year is especially important for tenant groups wishing to utilize DHCD's first right purchase program. Because the TOPA (Tenant Opportunity to Purchase) process is triggered by sales of buildings throughout the year, it is important for tenants to know if funds are available and how much. There have been instances where a tenants' group has not pursued the First Right purchase program because it did not think there were funds in the HPTF, when in fact there were.

Thank you for the opportunity to offer testimony. I am happy to answer any questions.