

**TESTIMONY OF JENNY REED, POLICY DIRECTOR
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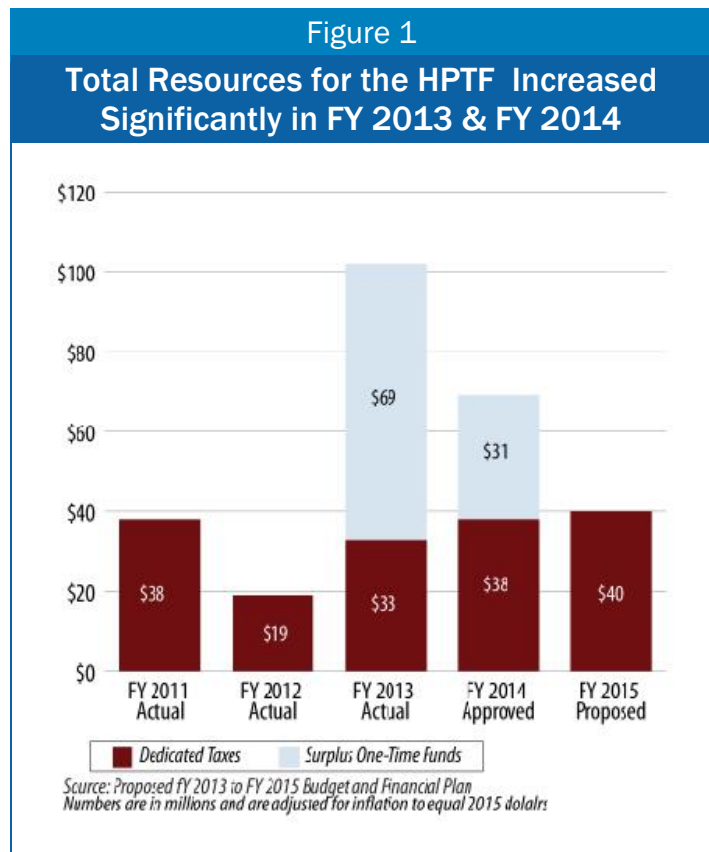
**At the Public Hearing on the FY 2015 Budget Oversight
For the Department of Housing and Community Development
District of Columbia Committee on Economic Development
May 2, 2014**

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 at 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 how policies impact low- and moderate-income families.

I am here today to testify on the proposed FY 2015 budget for the Department of Housing and Community Development. In particular I would like to focus on three areas: the need to have a plan to invest \$100 million into the Housing Production Trust Fund each year, rather than a year at a time; assuring that a portion of Trust Fund resources are used to build housing with units large enough to serve families; and assuring that a portion of the Trust Fund is used to enhance assistance tenants who want to exercise their right to purchase their building.

DC Needs a Significant and Predictable Investment in Affordable Housing

The lack of affordable housing is one of the key issue facing the District. Not only because it leads to homelessness for many of our neighbors, but because it also affects the success of other critical public investments. A child whose family is frequently moving, is homeless or living in substandard housing will almost surely have poorer educational and health outcomes than a child in stable housing. A resident with a chronic health problem will better be able to treat their disease and avoid costly trips the emergency room if they



have a stable home. And a resident is more likely to be able to learn a new workforce skill if they aren't preoccupied with figuring out where they will sleep that night.

In other words, it all starts with affordable housing. One of the key ways the District builds affordable housing is through the Housing Production Trust Fund (HPTF) which supports the construction and renovation of affordable housing in DC.

The mayor's proposed FY 2015 budget for the HPTF is \$40 million from dedicated tax revenues. Total resources in FY 2013 and FY 2014 are significantly higher as a result of one-time funds of \$69 million and \$31 million, respectively. These were added to the dedicated tax revenues that form the basis of Trust Fund. (See **Figure 1**.) The one-time funds will help make DC make progress on its affordable housing goals. But the reliance on one-time funds also highlights the limited capacity of the Housing Production Trust Fund under its current funding formula.

In order to maintain a significant and predictable investment into affordable housing, DC should look to appropriate additional funds into the HPTF each year to achieve a goal of \$100 million annually for housing production and preservation. We look forward to the hearing on your bill, "The Housing Production Trust Fund Baseline Funding Act of 2014" at the end of this month that would establish that baseline of \$100 million into the HPTF annually.

A significant and predictable investment into the HPTF can also help DC create affordable housing for two key populations: families and tenants who want to avoid displacement.

Helping Families Home

On Wednesday, 20 community organizations, including DCFPI, released *Helping Families Home: A Roadmap for the District* that will put DC on a path to provide families access to decent shelter, no matter the time of year. It also would offer the help families need to quickly move from shelter to a safe and stable home. A key part of that plan is the creation of affordable housing for families. We ask that DC both increase the amount of funds available to the HPTF and continue to include a preference in DHCD's requests for proposals that will help prioritize development of affordable housing that meets families' needs. For example, this year DHCD included an extra points in the RFP for developers who are building units with three or more bedrooms.

First Right Purchase

DHCD's First Right Purchase program helps low- and moderate-income tenants exercise their right to purchase their building when it is put up for sale. This makes the program one of the District's key anti-displacement tools. A DCFPI analysis found that First Right Purchase preserved nearly 1,400 units of affordable housing between FY 2002 and FY 2013. Without the financial support and technical assistance provided by the First Right Purchase program, many low-income tenants would not be able to take advantage of this right. We ask that some of the increase for the HPTF be used for the following:

- **Helping Tenant Groups Access Funds Quickly:** First Right Purchase projects occur at all times throughout the year and are on tight timelines because of the legal requirements associated with the Tenant Purchase law. This means that tenants need quick access to

funds throughout the year and that the DHCD process to approve purchase proposals needs to be streamlined.

I am very glad that DHCD has been working to develop a program to provide quick access to acquisition and pre-development funds for tenant purchase projects, through Community Development Financial Institutions (CDFI's). DHCD has a similar program to help nonprofit housing developers access funds quickly — the Site Acquisition Funding Initiative (SAFI) — and is essentially looking to recreate it for tenant groups. The program could be ready by the start of FY 2015. We encourage the committee to follow this process to ensure that the new program is up and running as soon as possible.

- **Enhanced Funding per Project:** Often, the buildings that tenants buy have significant capital needs due to years of neglect of the prior owner. DCFPI believes that it is important that the First Right Program provide more than the current allowed level of assistance for renovation needs and emergency repairs. Over the course of the program's history there has been less emphasis on renovation and funds typically are not used for emergency repairs during acquisition.
- **Ongoing Technical Support after Tenant Purchase:** We believe that DHCD needs to conduct regular financial assessments of co-ops and provide additional technical assistance to tenant groups after they have purchased their building to help with the challenging task of managing their building over time. DHCD could match tenant groups with a technical assistance provider and/or require co-op members to receive a certain amount of training and technical assistance each year.
- **More Funding to Help More Tenants Buy Their Buildings:** Just 115 units of housing were preserved with the program in FY 2012 — 35 new units and 80 existing units — yet over 5,000 units of housing went up for sale across DC and tenant groups representing over 1,000 units of housing were formed. For FY 2015 and beyond, DHCD should increase its performance goal from 100 to 300 units of housing assisted through the First Right Purchase program.

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