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April 16, 2015

WHAT'S IN THE PROPOSED F Y 2016 BUDGET FOR AFFORDABLE HOUSING?

SUMMARY OF THE PROPOSED FY 2016 BUDGET FOR AFFORDABLE HOUSING

- The FY 2016 budget provides \$213 million in local funding for a variety of affordable housing programs – which is the highest level in the city's history.
- Funding for the Housing Production Trust Fund will reach \$100 million, double the FY 2015 funding. The HPTF is used to build and preserve affordable housing for low and moderate-income residents.
- The budget devotes \$6 million in new funds for rental subsidies through the Local Rent Supplement program (LRSP). This will help ensure that 200 apartments built through the Housing Production Trust Fund are affordable to very low-income families. It also will help support rental assistance for families and individuals who have left the homeless shelter system and need help paying rent. Through a combination of federal and local funds, some 660 families and individuals will get assistance.
- Includes funding to help end chronic homelessness through the Permanent Supportive Housing Program for 110 families and 250 individuals. PSH provides housing and supportive services to chronically homeless residents. This is a substantial expansion of PSH.
- The budget reduces funding from \$12 million to \$9 million for a program that helps low- and moderate-income residents become first-time homebuyers (the Home Purchase Assistance Program- HPAP). According to the agency that operates the program, this will fully meet expected demand, and more funding will be provided if needed to serve more households.

Local funding for affordable housing would reach a record high level under the proposed fiscal year FY 2016 budget, including expansion of programs to build affordable housing, provide rental assistance, and to provide housing and supportive services for chronically homeless residents. Total local funding for affordable housing is proposed to be \$213 million, a \$50 million increase after adjusting for inflation. (See **Figure 1.**)

The District has a variety of affordable housing tools, each serving a specific purpose and each critical to making housing available along the entire continuum of needs — from homelessness to homeownership — for DC's low- and moderate-income residents. These tools include:

- **The Local Rent Supplement Program:** which provides rental assistance to help very low-income residents – those making less than \$30,000 a year — live in affordable homes.

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

Funding for the Housing Production Trust Fund (HPTF) Will Double in FY 2016

The FY 2016 proposed budget for the HPTF is \$100 million. This is roughly double the FY 2015 funding level and one of the highest funding levels in its history. Previous high-level marks were \$102 million in 2013 and \$80 million in 2014. (See **Figure 2.**)

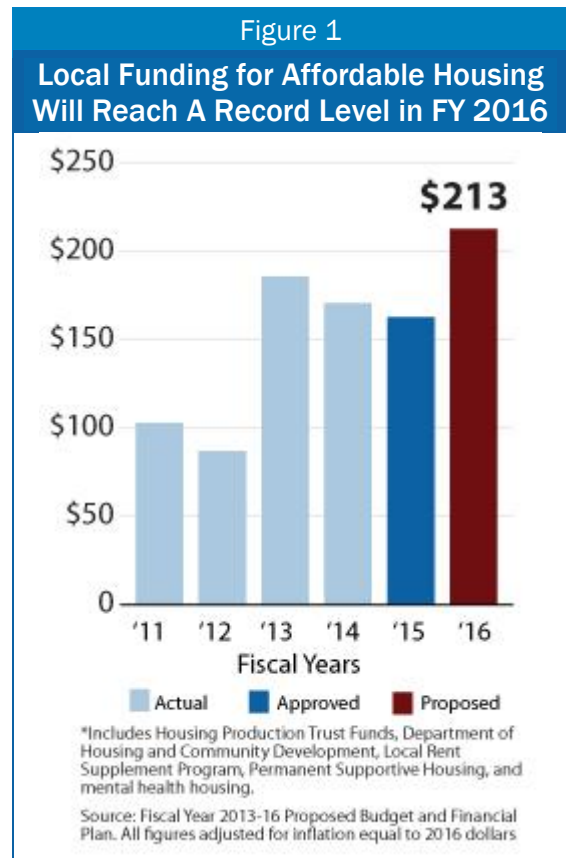
The Housing Production Trust Fund (HPTF) supports the construction and renovation of affordable housing. The Trust Fund provides “gap financing,” through loans or grants to partially fund housing projects and keep them affordable. It is likely that the FY 2016 funding will support building or renovating 1,000 or more homes, although the precise number is unclear because the needs vary a great deal from project to project.

Under legislation enacted in 2002, some 15 percent of deed recordation and transfer taxes are dedicated to the fund each fiscal year. Because real estate transfers fluctuate a great deal as the real estate market heats and cools, funding for HPTF also has fluctuated a lot over time. The FY 2016 budget supports the Trust Fund with \$50 million in these dedicated taxes and a \$50 million supplement.

It is worth noting that the supplemental funding is provided on a one-time basis in FY 2016, and not built into future projected budgets. This means that additional funding will need to be identified again a year from now to maintain the \$100 million funding level.

The 2016 Budget Provides More Rental Assistance to Support Key Initiatives

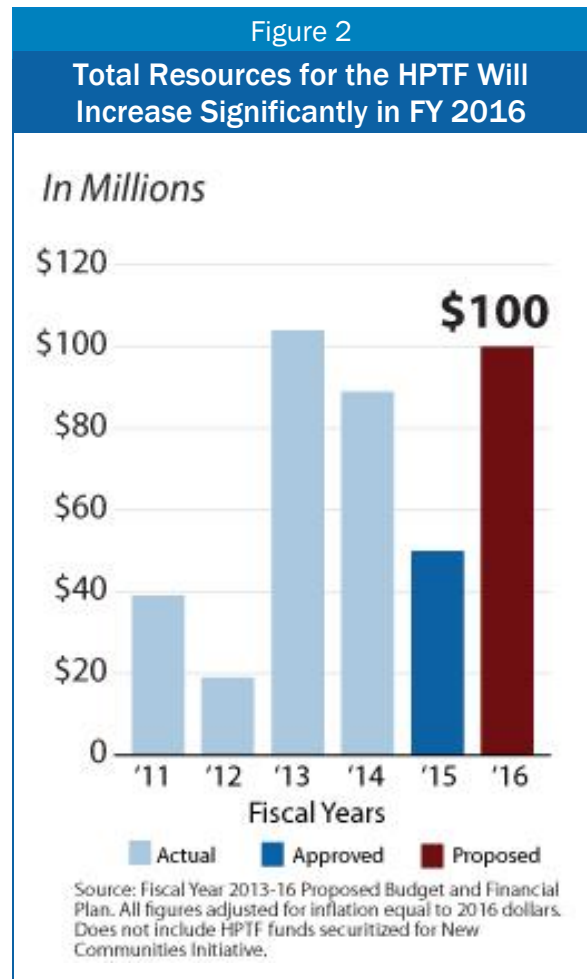
The proposed budget includes \$6 million in new funds for rental assistance under the Local Rent Supplement Program, operated by the DC Housing Authority. This will help make housing affordable to very low-income families and in particular will support implementation of the city’s new Strategic Plan to end long-term homelessness. The new funds, which will be combined with use of federal housing vouchers for these efforts, will serve around 650 families and individuals.



The Local Rent Supplement Program (LRSP) was created in 2007 following a recommendation of the city's 2006 housing task force. Under this program, families pay 30 percent of their income for rent, with the remainder covered by the program. This structure allows LRSP to serve families with very low incomes.

The proposed budget will support the two key components of DC's Local Rent Supplement Program.

- **Project/Sponsor-Based LRSP:** \$2.4 million will be tied to 200 apartments built with the Housing Production Trust Fund, which typically need rental subsidies to be made affordable to the poorest residents.
- **Tenant-Based LRSP:** \$3.7 million will go toward expanding tenant-based rental subsidies. These are rental vouchers that families or individuals, use to help pay for private market apartments that they select. These locally funded tenant rent vouchers will be combined with federal vouchers to serve two purposes. First, they will provide housing to 250 individuals and 110 families in DC's Permanent Supportive Housing program, which provides housing with support services for chronically homeless residents. The remaining vouchers will assist roughly 147 families and 150 individuals, including residents who received temporary rental assistance under Rapid Re-Housing but are unable to afford private market rents when Rapid Re-Housing ends. These funds, known as Targeted Assisted Housing, also will help residents who have been in permanent supportive housing but no longer need PSH social services.



This will be the fourth year in a row that LRSP has been expanded. 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 2016 additions, the District will have funded around 3,700 households after 10 years. Even with the recent additions however, the District still will be approximately 6,000 units behind its goal of 9,700 units in FY 2016, 10 years after the task force report was released.

Table 1 Changes in Funding for DC's Main Affordable Housing Sources, FY 2012 – 2016*					
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Revised	FY 2016 Proposed
Department of Housing and Community Development	\$15	\$16	\$15	\$22	\$15
Housing Production Trust Fund	\$19	\$104	\$89	\$50	\$100
DC Housing Authority Subsidy	\$24	\$36	\$36	\$47	\$52
Permanent Supportive Housing	\$21	\$21	\$22	\$29	\$32
Home First Subsidy, Dept. of Behavioral Health	\$7	\$9	\$9	\$14	\$14
DC Low-Income Housing Tax Credit	--	--	--	--	-
Total	\$87	\$186	\$171	\$163	\$213

* Dollars are in millions, adjusted for inflation to equal FY 2016 dollars. For Housing Production Trust Fund, does not include funds securitized to support the New Communities Initiative.

Permanent Supportive Housing for Chronically Homeless Residents Will Expand in FY 2016

The Permanent Supportive Housing Program, known as Housing First, was created in FY 2009 to place chronically homeless individuals and families into affordable housing with case management services. The program includes a capital component – to build or renovate facilities –and an operating component for case management services and rental subsidies.

The proposed FY 2016 budget includes plans to expand Permanent Supportive Housing to 250 individuals and 110 families, using a mixture of local and federal funds, as part of an effort to end chronic homelessness by 2017. This is a substantial expansion of PSH, which served roughly 1,900 families and individuals as of 2015. These changes are covered in more detail in DCFPI's summary of the FY 2016 homeless services budget, as part of the DCFPI Budget Toolkit.

First-Time Homebuyer Assistance Will Be Cut in FY 2016

The proposed budget would cut a program that helps low- and moderate-income residents become first time homebuyers – the Home Purchase Assistance Program. HPAP provides down-payment and closing cost assistance to help low-income first-time homebuyers.¹

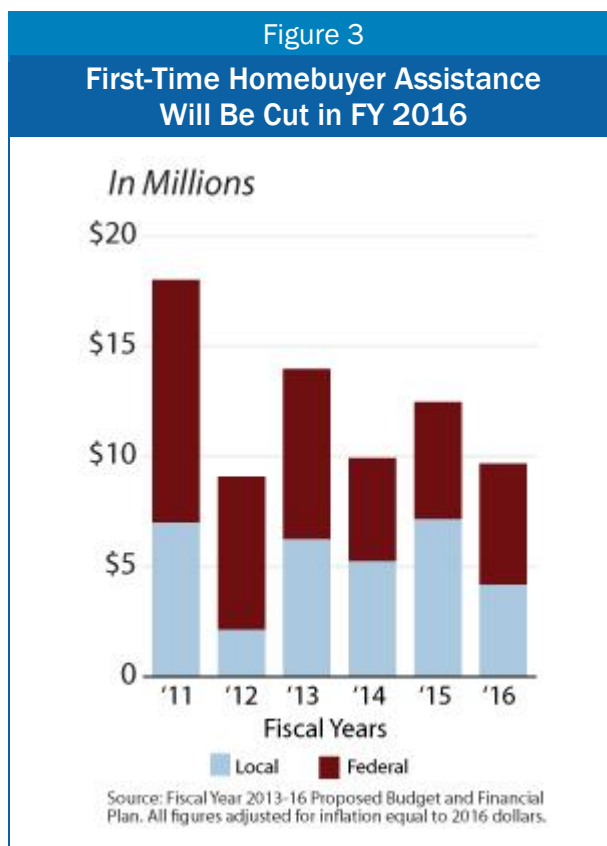
¹ The home purchase assistance programs also contain smaller pots of funding for the Employer Assisted Housing Program (EAHP), which provides home purchase assistance to DC government employees and home buying assistance for DC Police Officers. In addition, a new program is available in FY 2011 to help DC government employees whose positions are covered by collective bargaining agreements to purchase homes. This program is called the Negotiated Employee Affordable Home Purchase Assistance program (NEAHP).

Total funding for Home Purchase Assistance in FY 2016 — federal and local funds combined — will be \$9 million in FY 2016, down from \$12 million in FY 2015. (See **Figure 3**.)

The number of residents who buy their first home with help from HPAP has fallen in recent years and will continue to be low in 2016. The Department of Housing and Community Development projects to serve 240 first-time homebuyers in FY 2016, compared with 508 in 2008. Even the proposed 240 homeowners for FY 2016 seems unrealistically high. The agency helped 210 households in FY 2014, when spending on HPAP was about the same as the proposed FY 2016 budget.

The Department of Housing and Community Development states that funding for the Home Purchase Assistance Program will fully meet expect demand for assistance, and that the agency will find additional funding if needed to serve a greater demand.²

The relatively low demand for homebuyer assistance could reflect a number of factors, but one possible factor is the relatively small amount of assistance available per household. The maximum HPAP loan set by the Department of Housing and Community Development is \$54,000, compared with \$70,000 in 2009. Given the District’s high and rising home prices, an increase in the loan amount is needed to help ensure that a wide range of low- and moderate-income families can become homeowners. Without an increase, only families with incomes near the top of the eligibility range can take advantage of this program. Yet the reduced funding for HPAP will make it impossible to increase the loan amount that a households can receive while also serving the same number of homebuyers as in previous years.



DC’s Program to Help Tenants Buy Their Buildings Should Be Expanded Further

The District has increased efforts in recent years to help tenant organizations exercise their first-right of purchase when a landlord wants to sell their building, but that the number of tenants assisted remains relatively low. With additional funding for the Housing Production Trust Fund in FY 2016, the District could do more to help tenants buy their buildings and maintain them as affordable.

The First Right Purchase program providing counseling, and financial support to tenant groups that wish to buy their building but need help to do so. The program is one of DC’s key anti-

² Comments by DHCD Secretary Donaldson to the Coalition of Nonprofit Housing and Economic Development, April 15, 2015

displacement tools and helped preserve nearly 1,400 units of affordable housing over the last decade.³ In many cases, the buildings purchased through this program are converted into long-term affordable housing.

First Right Purchase assistance has dwindled in recent years, but appears to be increasing in FY 2016. During the recession, 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 First Right purchase funding — funding was not available to support tenant purchase efforts at a meaningful level. Just 22 units were funded through First Right Purchase in FY 2013. But 237 tenants were assisted in FY 2014 and an estimated 200 tenants will be helped in FY 2015 and FY 2016.

Now that significant resources have been added into the HPTF in FY 2013 and FY 2014, it is likely that the District can support even more additional tenant purchase projects. Setting a higher goal than 200 tenants – and devoting the resources needed to meet a higher goal – could strengthen this important anti-displacement tool.

DC's Housing Program for Residents with Mental Illness Will Be Unchanged in FY 2016

The Home First program at the Department of Behavioral Health is designed to help individuals to bridge from temporary housing into long-term stable housing by providing transitional housing and services. The FY 2016 budget for the Home First program is \$14 million, essentially the same as the FY 2015 budget.

³ *DC's First Right Purchase Program Helps to Preserve Affordable Housing and Is One of DC's Key Anti-Displacement Tools*, DC Fiscal Policy Institute, September 2013.