The District's Dime
Going Beyond the Budget Book

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# Council's Budget Proposal Includes Both New Investments And Reductions in Affordable Housing and Human Services

By Wes Rivers

The budget crafted by the DC Council, which will be voted on today, includes both important enhancements and notable reductions to investments in affordable housing and human services proposed by the mayor. Most notably, the Council's budget adds resources to fully fund a plan to end long-term homelessness and expands rental assistance to very low-income residents. However, the Council's budget also scales back proposed funding for the Housing Production Trust Fund. The Council's budget, as developed by Chairman Mendelson, also rolls back sales tax and parking tax increases proposed by the mayor. Finally, the budget includes a last-minute proposal to provide a $90 million economic development subsidy for a project in a rapidly growing part of the city – Union Market – that raises concerns

As the Council moves to complete its work on the spending plan for the coming year, it should look to find a way to maintain the Housing Production Trust Fund – the main source for building and renovating affordable housing in DC – while also supporting its new investments to address the city's urgent housing and homelessness crises. And it should hold off on the Union Market development subsidy so that it can receive a full legislative review.

The Council's budget would maintain most of the mayor's proposals and make several additions to help residents make ends meet and move ahead:

- **Fully funds the Interagency Council on Homelessness Strategic Plan ($3.5 million).**
    - $1.8 million for Permanent Support Housing, which combines long-term affordable housing and case management for residents who have been homeless a long time and have significant disabling conditions.
    - $1.7 million for Targeted Affordable Housing for formerly homeless residents. This helps residents after their short-term Rapid Re-Housing ends, and PSH residents who no longer need intensive services but still need help paying rent.
    - Restores a cut of $500,000 to Emergency Rental Assistance Program and adds $500,000 to support shelter and intensive services for minor-headed households.

- **Helps more residents pay the rent through the Local Rent Supplement Program ($5 million).** This funding would help 330 families from becoming homeless and chips away at DC's affordable housing crisis.

- **Restores Some of the Cuts to the DC Office on Aging ($200,000).** This would help fund meals for home-bound seniors.

- M**akes additional investments in education ($1.2 Million).** This will put additional money towards the DC Children and Youth Investment Trust, which will help fund afterschool and summer programming.

- **Invests in new job training models:** The Council's budget invests $500,000 to start developing a "career pathways" approach that blends adult education with occupational training.

However, amidst these increases the Chairman's budget mark also includes a $9 million reduction in planned funding for the Housing Production Trust Fund. The proposal would take funds expected to go to the trust fund this year, and instead use them next year to count toward a planned $100 million funding level. That amounts to a $9 million reduction this year.

The DC Council made all of these investments, but they did not adopt the Mayor's proposal to increase the sales tax rate from 5.75 percent to 6 percent or to increase the commercial parking tax rate from 18 percent to 22 percent. Instead of raising new revenue, the DC Council found additional savings elsewhere in the budget – including special purpose funds that have unneeded funding.

Finally, the DC Council's proposal includes a large economic development subsidy that has not been fully vetted and could negatively impact the city's finances for years. The budget proposes a $90 million subsidy to the developer Edens for a project near the thriving Union Market. The city would repay the subsidy using revenue generated from the completed project's property taxes and sales taxes. Yet this proposal raises a number of couple of reasons. First, the subsidy would count as debt for the city and put the city near the debt cap -- the limit on how much it can borrow. This could limit the ability to borrow funds to pay for school, library, and other construction projects. Second, economic development subsidies like these typically undergo a thorough review from, the Chief Financial Officer to assess if and how much subsidy is needed to move a project forward. With that said, the area is already developing quickly, and there is no evidence that the developer needs the incentive to complete development.