



*An Affiliate of the
Center on Budget and Policy Priorities*
820 First Street NE, Suite 750
Washington, DC 20002
(202) 408-1080 Fax (202) 408-8173
www.dcfpi.org

**Testimony of Claire Zippel, Housing Policy Associate
At the Budget Oversight Hearing for the DC Housing Authority
Committee on Housing and Community Development
April 21, 2016**

Chairperson Bonds and members of the Committee, thank you for the opportunity to testify today. My name is Claire Zippel and I am the Housing Policy Associate at the DC Fiscal Policy Institute. DCFPI promotes budget and policy choices to expand economic opportunity and reduce income inequality in the District of Columbia, through independent research and policy recommendations.

I will focus my testimony today on the importance of the Local Rent Supplement Program to maximizing the District's investment in the Housing Production Trust Fund, and our support for needed repairs to DC's public housing. I also wish to speak to concerns about the timing of how LRSP is budgeted and spent.

New Rental Assistance Needed To Help Trust Fund to Reach Poorest Households

The proposed FY 2017 budget would add no new funds to the Local Rent Supplement Program (LRSP) for project-based rental assistance for units that will be developed under the Housing Production Trust Fund. The budget also provides no new tenant-based vouchers to move families off the DC Housing Authority waiting list into affordable homes.

Without new project-based LRSP, it is not clear whether the Trust Fund will be able to meet its requirement to spend 40 percent of its resources on housing for extremely low income families – those with incomes at or below 30 percent of the median, or \$32,600 for a family of four. This is because the Trust Fund provides one-time, up-front financing assistance affordable housing developers can use to build or rehabilitate low-cost housing, but does not help cover ongoing operating and maintenance costs. Thus the Trust Fund alone often is not able to reduce rents to be affordable to the lowest income families.

It's critical that the Trust Fund reach the families and individuals who have the greatest and most urgent need for affordable homes. Two-thirds of extremely low income families – 31,000 households in all – pay the majority of their income for rent,¹ leaving even less left over for basic necessities such as food, clothing, and transportation. We encourage the Committee to add new funds for 250 units of project-based LRSP to the DC Housing Authority budget in FY 2017, so that the Trust Fund can reach the most vulnerable households.

¹ DCFPI analysis of 2013 and 2014 American Community Survey microdata.

We also support additional funds for tenant-based LRSP to help families on the DC Housing Authority waiting list – many of whom who have been waiting for a decade or more – move off the list and into affordable homes.

Public Housing to Receive Funds for Needed Repairs

We support the budget's proposal to direct \$15 million in unspent funds in the DC Housing Authority's budget toward repairing and maintaining public housing. Four out of five public housing units in DC are in need of significant repairs,² such as new windows, pipes, or roofs. The funds would help the DC Housing Authority make critical capital improvements so that public housing residents can have the quality housing they deserve, and so that distressed vacant units can be brought back online. For instance, Director Todman has indicated that one use of the funds would be to rehabilitate 22 uninhabitable, fire-damaged units so that they can be re-occupied.³

I wish to briefly address the source of the funds for public housing repairs: unspent LRSP funds. Project-based LRSP is budgeted in the fiscal year when the funds will be committed, but funds may not be spent within that fiscal year. This is because the District cannot start payments to an affordable housing project awarded LRSP until the project has been completed and occupied – which is likely to take more than a year after funds for construction or renovation are authorized. This can mean that project-based LRSP funds, which need to be authorized along with construction funding, will go unspent in their first year of authorization. Those funds typically are reprogrammed to other purposes until the project comes online.

While DCFPI supports the proposal to re-direct these unspent LRSP funds to public housing repairs, so that housing funds are retained for housing uses, it also is important to budget housing dollars in a way that they will be needed when appropriated. A budgeting structure that almost guarantees that funds will not be spent right away is not ideal. That said, one key reason for allocating LRSP funds to Trust Fund projects as they are approved is to create clarity and assurances to affordable housing developers and their financing partners that awarded funds will be there when needed. We encourage the Committee, the Council Budget Office, the Department of Housing and Community Development, the affordable housing development community, and the DC Housing Authority to explore together whether LRSP could be budgeted on a different schedule in the future, in ways that reduce the likelihood of unspent funds while also allowing projects to be financed. Finally, we emphasize that the FY 2017 financial plan include LRSP funds to ensure that 250 units assisted by FY 2017 Housing Production Trust Fund dollars can reach the lowest income households.

Thank you, and I am happy to answer any questions.

² DC Housing Authority FY 2016 Budget Oversight Documents, DC Council Committee of Housing and Community Development.

³ Presentation by DC Housing Authority Director Adrienne Todman at CNHED FY 2017 Budget Briefing, 31 March 2016.