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The Local Rent Supplement Program

The District's Local Rent Supplement Program (LRSP) was created in 2007 to help DC residents with extremely low incomes obtain decent housing they can afford. LRSP provides monthly rental subsidies that cover the difference between the rent a family can afford to pay, and the cost of renting the unit. In 2016, LRSP was expanded for the fourth year in a row, and now serves approximately 3,300 families and individuals.¹

The program stems from the District's 2006 Comprehensive Housing Strategy Task Force goal of creating 14,600 locally funded rental subsidies in the District over 15 years.² Funding for LRSP began in FY 2007, and has grown intermittently since then. This policy brief provides information on the LRSP program and identifies key issues currently facing the program.

LRSP is a critical part of the District's affordable housing toolbox because it is one of the few programs that is guaranteed to provide housing that extremely low income families need. Other major programs, such as the Housing Production Trust Fund, often do not produce housing that reaches the poorest households.

LRSP Serves Extremely Low Income Families and Individuals

The Local Rent Supplement Program (LRSP) provides ongoing rental subsidies to help make housing affordable to extremely low income families – those with incomes below 30 percent of area median income, or \$32,600 for a family of four.³ Many families assisted by LRSP have incomes well below this level.

The LRSP subsidy pays the difference between what the family can afford, and the monthly rent of the unit. Assisted families pay 30 percent of household income toward rent – which is the housing affordability threshold set by the U.S. Department of Housing and Urban Development (HUD). The remainder of the rent is paid by the LRSP subsidy. For example, a family of four that earns \$25,000 would pay \$7,500 a year, or \$625 a month, towards their rent. If the rental unit cost was \$1,600 a month – the fair market rent for a two-bedroom unit in the DC metro area⁴ – LRSP would cover \$975 per month or \$11,700 for the year.

¹ Courtesy of the DC Housing Authority, 2015. Includes anticipated increase of 450 units from funding increase approved in FY 2016.

² Comprehensive Housing Strategy Task Force, "[Homes for an Inclusive City: A Comprehensive Housing Strategy for Washington, DC](#)," 2006.

³ US Department of Housing and Urban Development, [Program Income Limits, 2016](#).

⁴ US Department of Housing and Urban Development, [FY 2016 Fair Market Rent Documentation System](#).

How LRSP Works

LRSP is administered by the DC Housing Authority, which also manages the federal Housing Choice Voucher program (formerly called Section 8), also a rent subsidy program. LRSP provides three different types of rental assistance.

- **Tenant-based rent vouchers** are provided directly to families or individuals, who can use the voucher at a private-market apartment in the District. The vouchers can be used at any apartment renting below a certain threshold, based on the fair market rent for the DC area and the neighborhood housing market.⁵ The voucher stays with the family, even if they move to another rental unit in the District.⁶ Tenant-based vouchers have been used to assist families on the DC Housing Authority waiting list, and in some case residents referred by the Department of Human Services who need immediate housing.
- **Project-based rental assistance** is provided to for-profit or non-profit developers for a specific unit that serves low-income families. Unlike tenant-based vouchers, these vouchers are not portable, meaning that the household using it cannot take the voucher and use it for another apartment elsewhere. Instead, the rental assistance stays with the unit. Although it is not required, many project-based vouchers are awarded to developments that also provide supportive services to residents. Project-based vouchers are often awarded to affordable housing developments receiving gap financing from the [Housing Production Trust Fund \(HPTF\)](#).
- **Sponsor-based rental assistance** is awarded to a landlord or non-profit group for affordable units they make available to low-income families and individuals. Unlike project-based vouchers, these vouchers are portable in that they can be moved to another unit run by the same non-profit or the landlord. Sponsor-based vouchers are awarded only to groups that will provide supportive services to residents housed in the affordable units. These vouchers can be used in tandem with Housing Production Trust Fund assistance.
- **Targeted affordable housing** provides long term affordable housing to formerly homeless residents. This component of LRSP was added in FY 2016. Unlike other LRSP assistance, targeted affordable housing will work through referrals from the Department of Human Services. The program will serve residents who had been in permanent supportive housing (PSH) and no longer need the intensive services provided by PSH, but still need help to afford housing. Targeted affordable housing also serves residents who received temporary Rapid Re-Housing rental assistance, but aren't able to afford private market rent when their Rapid Re-Housing assistance ends.

⁵ The DC Housing Authority sets approved rents for each DC neighborhood for the Housing Choice Voucher Program and the Local Rent Supplement Program, based on the DC metro area fair market rent and neighborhood market analysis. For instance, a one-bedroom unit in Deanwood is eligible for voucher use if the rent is under \$1,100, whereas a one-bedroom unit in Kalorama, where housing costs are much higher, can rent for up to \$1,600 and be eligible for voucher use. DC Housing Authority, [Housing Choice Voucher Program, Approved Rents](#), 2015.

⁶ Unlike Housing Choice Vouchers, which can be used in neighboring jurisdictions, LRSP tenant-based vouchers cannot be used to rent an apartment outside of the District.

LRSP Works In Tandem with Other Affordable Housing Programs

LRSP works with other affordable housing programs in the District to deliver affordable homes to extremely low income residents.

- LRSP & DC’s Housing Production Trust Fund:** LRSP project- and sponsor-based rental assistance is often awarded to units assisted by the [Housing Production Trust Fund](#) (HPTF). The HPTF provides grants and loans affordable housing developers can use to acquire, rehabilitate, and construct low-cost homes. LRSP assistance helps cover the ongoing cost of operating and maintaining the unit. By matching LRSP project- and sponsor-based vouchers to HPTF-assisted units, the District can ensure the homes will be affordable to extremely low income households for the long term.
- LRSP & Permanent Supportive Housing:** LRSP is used with the District’s Permanent Supportive Housing (PSH) program, also known as Housing First, which places chronically homeless individuals and families in affordable housing that also provides them with supportive services. The Housing First model, in which clients don’t have to meet prerequisites before accessing housing and services, is a recognized best practice in combatting homelessness. Some PSH clients are placed in private apartments using LRSP tenant based vouchers, and others are placed in buildings developed with District funding and assisted by project- or sponsor-based LRSP.

Funding for LRSP Has Grown in Recent Years to Serve More Residents

The LRSP program is funded by local dollars, and managed by the DC Housing Authority (DCHA). The District also distributes local funds to DCHA to support the DHCA police force and some housing assistance for families.

LRSP was initially funded in FY 2007, and expanded in FY 2008. Program funding then remained stagnant until FY 2013, when the DC Council added funds for vouchers for homeless families in emergency shelter. In the intervening period, LRSP had to rely on its own reserves⁷ and transfers from the Housing Production Trust Fund⁸ to pay for increases in rental subsidy levels due to rising rents. LRSP funding does not include an inflation adjustment, even though its costs rise each year due to increases in market rents. Funding was stepped up in FY 2014 and FY 2015, enabling the program to not have to pull from reserves or the HPTF, and to add additional units. In FY 2016, both project- and sponsor-based

| | FY 2016 Approved |
|---|---------------------|
| Tenant-Based Vouchers | 1,500 |
| Project/Sponsor-Based Rental Assistance | 1,780 |
| Targeted Affordable Housing | 250 |
| Total | 3,530 |

Source: DC Housing Authority, 2015. Includes additional units anticipated to come online as a result of FY 2016 funding increase.

⁷ The [Budget Support Act of 2009](#) directed the DC Housing Authority to hold \$5.88 million, plus two months of subsidy payments for all of the awarded LRSP subsidies, in reserves. This helped LRSP cover the program’s cost and make up for the reduction of local funding.

⁸ \$18 million was transferred from the Housing Production Trust Fund to the DC Housing Authority in FY 2012, and \$20 million in FY 2013. These funds supported DCHA’s public safety force, housing assistance (DC Local), and LRSP. [FY 2012](#) and [FY 2013](#) Proposed Operating Budgets.

LRSP and tenant-based LRSP were expanded, bringing the current funding level to \$48 million and the number of units funded to 3,500. The proposed FY 2017 adds some new targeted affordable housing, but no new project- or tenant-based LRSP.

Current Issues Facing DC's Local Rent Supplement Program

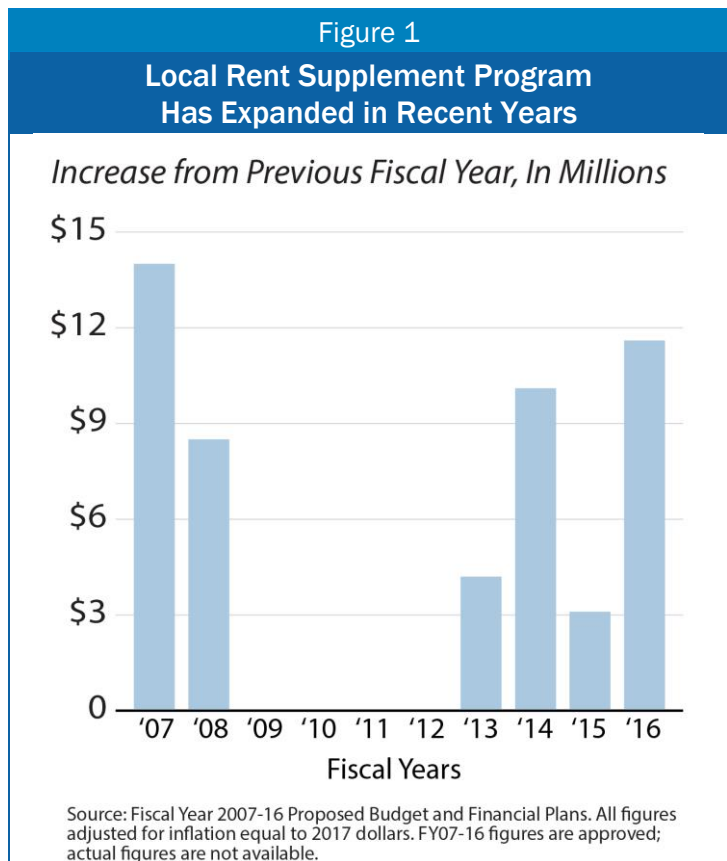
Slow progress toward the Comprehensive Housing Strategy Task Force Goal.

In 2006, this District-commissioned Task Force set a goal of creating 14,600 locally funded rental subsidies in the District over 15 years – approximately 1,000 new rent subsidies per year. A decade after the task force report was released, when the District would need to have 9,700 subsidies to be on track with that goal, there are 3,500 locally subsidized apartments in 2016, 6,200 behind the goal.

Expansion of project- and sponsor-based LRSP is needed to help the Housing Production Trust Fund serve extremely low income households.

By law, the [HPTF](#) is required to allocate 40 percent of its funding each fiscal year to housing affordable to extremely low income families – those with incomes below 30 percent of the area median, or \$32,600 for a family of four. Yet it has become increasingly hard to create housing affordable at that level using only resources from the Trust Fund. In many cases additional assistance through LRSP is needed to make Trust Fund-supported projects affordable to families at this income level.

The Trust Fund provides “gap financing”— grants and loans to affordable housing developers to fill the gap left by private financing and other sources that they need to acquire, build, and rehabilitate low cost housing. This up-front financing assistance 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. This challenge contributed to the fact that in FY 2014 and FY 2015, just 13 percent of Trust Fund resources went to help extremely low income families, far below the minimum 40 percent requirement.⁹



⁹ Department of Housing and Community Development, [Performance Oversight Documents](#), 2015.

One approach to addressing this problem that the District has adopted in recent years is to pair rent subsidies from LRSP with projects developed under the Trust Fund. Ongoing rental subsidies from LRSP help cover ongoing operating costs, so that tenant rents can be kept low. Expanding LRSP subsidies tied to specific projects and developers of low-cost housing will help the Trust Fund assist more extremely low income families, and help the District maximize its investment in the HPTF.

Expansion of LRSP tenant-based vouchers needed for families with urgent housing needs.

Tenant-based vouchers are often the fastest way to place families living in severely unaffordable housing into affordable homes. The number of households in need of housing assistance has ballooned as DC's housing market has risen. No more affordable apartments remain in the private market, research suggests.¹⁰ Approximately 41,000 households are on the DC Housing Authority waiting list.¹¹ Tenant-based LRSP should be expanded to meet the urgent needs of a rising number of extremely low income DC residents.

¹⁰ Wes Rivers, DC Fiscal Policy Institute, "[Going, Going, Gone: DC's Vanishing Affordable Housing](#)," 2015.

¹¹ Committee on Housing and Community Development, [FY 2016 Budget Report](#).