THE DISTRICT'S DIME
GOING BEYOND THE BUDGET BOOK

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DC Is Putting Its Affordable Housing Dollars to Work— and the Proof Is in the CAFR

By Claire Zippel

There is some important news about the Housing Production Trust Fund (HPTF) buried within the city's annual audit (the Comprehensive Financial Annual Report, or CAFR). The HPTF, DC's main affordable housing tool, makes low-cost loans to affordable housing developers to build and preserve affordable housing. For the first time in recent history, the HPTF fund balance declined—a sign that the District's efforts to put its housing investments to work faster are making a difference.

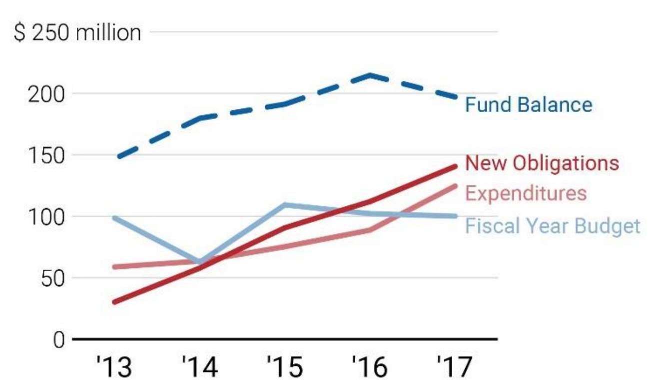
The HPTF's fund balance had been growing for several years due to various factors. The amount of revenue going into the fund began to pull ahead of spending in the years leading up to the financial crisis. Then HPTF expenditures dropped sharply when the housing market crashed and financing for housing projects, including affordable housing projects, dried up. HPTF spending fell from a high of $130 million in Fiscal Year (FY) 2008, to $34 million in FY 2011.[1] While more HPTF loans were issued each year and spending increased steadily from 2013 on,[2] more funding was added to the HPTF each year, and the outflow hadn't been enough to make a dent in the fund balance.

That changed in FY 2017, when the District's efforts to put its housing dollars to work faster paid off: the HPTF fund balance finally went in the right direction—down. Both spending (distribution of funds according to loan agreements) and obligations (signing of new loan agreements with affordable housing projects) are up (*Figure 1*).

- In FY 2017, the District obligated $140 million in new HPTF loans—a 25 percent increase from the previous fiscal year and nearly quadruple that of FY 2013.
- The District also spent $124 million of HPTF funds in FY 2017, reaching one of the highest levels of fiscal year spending in the HPTF's history, second only to 2008.[3]

Figure 1.

Housing Production Trust Fund Spending Is Increasing While Fund Balance Is Falling



Note: Figures are adjusted for inflation. Fund balance total for FY 2016-17 does not include $40 million "pre-paid" for FY 2018 from the FY 2016 General Fund surplus.

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This progress was made possible by the steps DC has taken to get HPTF dollars out the door faster, including more frequent rounds of funding competitions, speedier underwriting timelines, and awarding funds to tenants purchasing their buildings using TOPA projects (through the Tenant Opportunity to Purchase Act) on a rolling basis throughout the year.

However, the CAFR doesn't tell the full story of the HPTF's fund balance. Essentially all of the remaining fund balance is already on the path to creating or preserving affordable housing, even if the CAFR doesn't show it. The CAFR fund balance counts funds for projects that have been awarded HPTF funds, but whose loans haven't yet closed (projects "in underwriting"), as unobligated and available. However, those funds will be needed by the project down the line when its loan closes, and aren't available to be awarded to another project. The amount of HPTF in underwriting stands at about $260 million as of this month.[4]

Policymakers should be confident that investing more in the HPTF in FY 2019 will pay off in future years, resulting in homes for DC residents struggling with high housing costs.

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[1] All figures adjusted for inflation. FY 2001-2017 Comprehensive Annual Financial Reports.
[2] FY 2017 Comprehensive Annual Financial Report.
[3] FY 2001-2017 Comprehensive Annual Financial Reports.
[4] DCFPI analysis of DHCD Development Finance Division pipeline report.