

**Testimony of Claire Zippel, Policy Analyst  
At the Budget Oversight Hearing on the  
Department of Housing and Community Development  
DC Council Committee on Housing and Neighborhood Revitalization  
April 13, 2018**

Chairperson Bonds and members of the Committee, thank you for the opportunity to speak today. My name is Claire Zippel and I am the housing policy analyst and research coordinator at the DC Fiscal Policy Institute. DCFPI promotes opportunity and widespread prosperity for all residents of the District of Columbia through independent research and thoughtful policy solutions.

I would like to focus my testimony today on the Housing Production Trust Fund, and the critical role it has in addressing the District’s most severe housing needs.

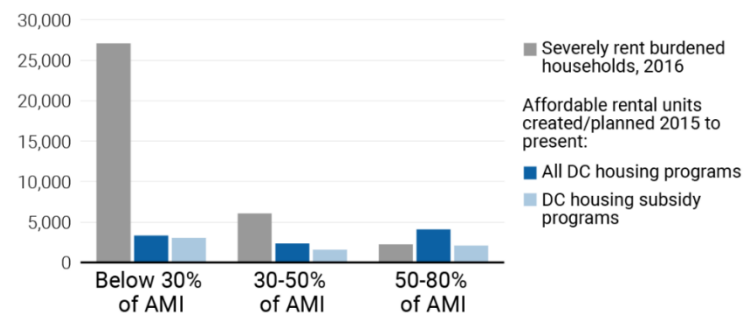
As you know, since fiscal year (FY) 2015, the District has invested \$100 million annually in the Housing Production Trust Fund. The Department of Housing and Community Development (DHCD) has successfully put those dollars to work. Between 2015 and 2017, DHCD has disbursed \$284 million in Trust Fund resources to affordable buildings, and signed loan agreements totaling \$254 million.<sup>1</sup> These investments have accomplished many important objectives, and the city and DHCD should be congratulated for bringing more resources to bear on DC’s affordable housing challenges.

However, the District’s affordable housing efforts, including its recent investments in the Trust Fund, have largely left behind the DC residents most in need of affordable housing: residents with extremely low incomes (less than \$33,000 for a family of four). In 2016, 27,000 of DC’s extremely low-income households paid half or more of their incomes for rent. This group includes one in five children in the District.<sup>2</sup> Yet the District has completed or planned fewer than 3,000 rental units for extremely low-income residents since 2015 (*Figure 1*).<sup>3</sup> And while three-fourths of the city’s severely rent burdened households have extremely low incomes, less than half of recent DC-subsidized rental units have been affordable to this group, as revealed in DCFPI’s latest report, *Building the Foundation: A Blueprint for Creating Affordable Housing for DC’s Lowest-Income Residents*.<sup>4</sup>

The District’s slow progress in addressing the housing challenges faced by these 27,000 extremely low-income households is holding the city back as it seeks to tackle other pressing challenges, such as unequal student outcomes, racial inequity, and homelessness. Research shows that housing instability impedes early childhood development and low-income students’ achievement in school.<sup>5</sup> Of extremely low-income, severely rent burdened households,

FIGURE 1.

**Most Affordable Rental Units Recently Created in DC Are Out of Reach of Extremely Low-Income Residents**



Note: AMI refers to area median income (\$108,600 for a family of four in 2016).  
Source: DCFPI analysis of 2016 American Community Survey 5-year PUMS, DC Affordable Housing Pipeline databases as of Mar. 2018 via Open Data DC and Dept. of Housing and Community Development, FY 2015-18 Budget & Financial Plans. See endnote 10.

88 percent are headed by a person of color, matching and likely exacerbating DC's deep racial inequity. Finally, extremely low-income residents without affordable housing are often just one missed paycheck or unexpected expense away from losing their housing and having to turn to DC's oversubscribed homeless services system.

The Housing Production Trust Fund has a critical role to play in addressing these challenges by reducing the prevalence of severe rent burden among DC's extremely low-income residents. The Trust Fund's low-cost financing assistance is critical to filling the gap between federal and private financing sources, and the cost of building an affordable project in a high-cost city like the District.

Yet the Trust Fund cannot typically create deeply affordable housing alone. Rents affordable to extremely low-income residents are not enough to cover the cost of maintaining and operating a housing unit.<sup>6</sup> Thus, for extremely low-income housing to be financially sustainable over the long term, it requires a deeper level of subsidy than affordable housing for higher-income groups. The vast majority of recently-created Trust Fund units for extremely low-income households were achieved by matching the units with an ongoing operating subsidy through the Local Rent Supplement Program (called project-based LRSP).<sup>7</sup>

The proposed FY 2019 budget included no new funding for project-based LRSP linked to Trust Fund units. The Department of Housing and Community Development (DHCD) has indicated that this is because the agency intends to take a different approach to achieving deep levels of affordability with the Trust Fund. According to DHCD, the agency is exploring several alternatives, including layering the Housing Production Trust Fund with federal gap financing sources, and working with the DC Housing Authority to provide public housing operating subsidies to Trust Fund units.<sup>8</sup>

We are glad that DHCD recognizes the need to utilize any funding tool that can help ensure the city's Trust Fund investments reach those most in need of affordable housing. However, we are concerned that as of this hearing, the agency has not communicated a clear plan that affordable housing developers and their financing partners widely agree will be successful. DCFPI strongly encourages DHCD to immediately convene with the affordable housing development community—especially entities focused on deeply affordable housing—to evaluate all alternatives to project-based LRSP that the agency has proposed. We hope that those discussions will be fruitful.

At the same time, we are worried that a lack of consensus between the agency and many in the affordable development community remains at this late point in the FY 2019 budget process. If a shared vision of how the Trust Fund can reach extremely low-income residents without project-based LRSP cannot be achieved—and it is unclear at this point if it can be—this Committee and the DC Council must take steps to drive additional resources to project-based LRSP in FY 2019.

As DC's largest housing tool, how the Housing Production Trust Fund is used and who it serves in FY 2019 signal which housing needs the city has chosen to prioritize. Surely those residents for whom one lost paycheck or unexpected expense can spell homelessness are the city's most urgent housing priority. We look forward to working with the Committee, DHCD, and other affordable housing stakeholders to ensure that the Trust Fund's track record of largely leaving extremely low-income residents behind will be reversed, not repeated in FY 2019.

Thank you, and I would be glad to answer any questions.

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<sup>1</sup> FY 2014-17 Comprehensive Annual Financial Reports.

<sup>2</sup> DCFPI, [Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents](#), 2018.

<sup>3</sup> Ibid. The year 2015 when the city began its substantial and regular investments in affordable housing through the Housing Production Trust Fund, and the year after which data on DC's affordable housing production is most reliable.

It is worth noting that nearly half of the 3,000 units were targeted to families and individuals already in the city's homeless services system, through Targeted Affordable Housing and Permanent Supportive Housing.

<sup>4</sup> DCFPI, [Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents](#), 2018.

<sup>5</sup> For a summary of the literature, see:

DCFPI, [Broken Foundation: Affordable Housing Crisis Threatens DC's Lowest-Income Residents](#), 2016.

<sup>6</sup> For a detailed explanation, see:

DCFPI, [Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents](#), 2018.

<sup>7</sup> 86 percent of Housing Production Trust Fund units affordable at extremely low income levels created since 2015 also received an LRSP operating subsidy.

DCFPI analysis of the DHCD affordable housing pipeline; LRSP contracts submitted to the DC Council, and DCHA performance oversight documents.

<sup>8</sup> We note that another potential option to explore is increasing the maximum share of an extremely low-income unit's cost that the Trust Fund will cover (currently capped at 49 percent).