

What's In the Approved Fiscal Year 2019 Budget for Affordable Housing?

By Claire Zippel

Local funding for affordable housing will increase modestly under the approved fiscal year (FY) 2019 budget, adding to the District's substantial commitment to housing in recent years. The budget includes new resources to create housing affordable to the city's lowest-income residents—who face the most severe housing challenges. Yet the budget does not make much progress toward truly addressing the city's worst-case housing needs. Total local funding for affordable housing will be \$227.5 million, a \$23.2 million increase from last year (8.9 percent after adjusting for inflation) (*Figure 1, pg. 2*).¹

The budget adds new rental assistance for formerly homeless residents and for families on the DC Housing Authority waiting list. The budget also adds operating subsidies for affordable units developed through the Housing Production Trust Fund, for existing affordable buildings, and for public housing redevelopment projects. These new resources are important, yet will serve only a small fraction of the 27,000 extremely low-income residents facing severe cost burden.²

Budget Maintains Level Funding for the Housing Production Trust Fund

The approved FY 2019 budget provides \$100 million for the Housing Production Trust Fund (*Figure 2, pg. 2*). The Trust Fund, DC's main affordable housing tool, provides low- and no-interest loans to housing developers to help build or renovate affordable housing.

SUMMARY

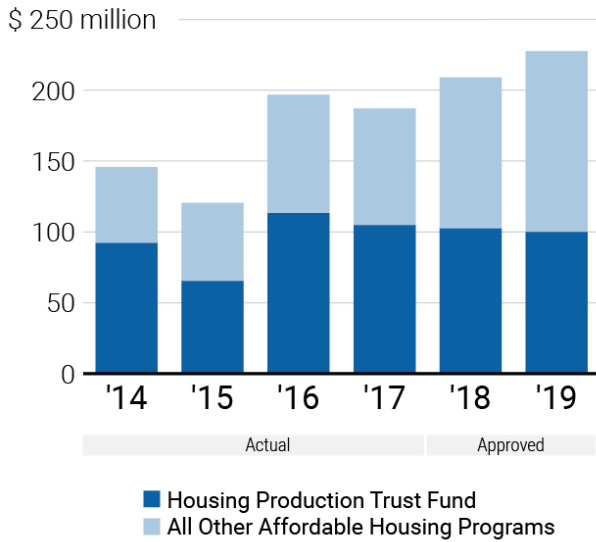
- \$100 million for the Housing Production Trust Fund
- \$10 million added to the affordable housing preservation fund
- \$1.5 million to provide rent vouchers for families on the DC Housing Authority waiting list
- \$5.1 million new operating subsidies for affordable buildings, including: \$3.3 million to make units developed through the Housing Production Trust Fund affordable to the extremely low-income households, \$1 million to help existing affordable units to serve lower income levels, and \$850,000 for public housing properties redeveloped through the New Communities Initiative
- \$9.2 million added to Targeted Affordable Housing for residents exiting homelessness
- \$9.2 million boost to down payment assistance for low- and moderate-income homebuyers
- \$3.3 million for public housing repairs

This will be the fourth year in a row that \$100 million will be invested in the Housing Production Trust Fund—one of the highest funding levels in the Trust Fund's history.

The approved FY 2019 budget supports the Trust Fund with \$60.7 million in dedicated taxes and a \$39.3 million supplement. Each year, 15 percent of deed recordation and transfer tax collections are dedicated to the Trust Fund. The one-time supplemental funding is not built into future budgets, meaning that additional funding will need to be identified again a year from now to maintain the \$100 million funding level.

FIGURE 1.

Modest, Steady Growth In Affordable Housing Funding Will Continue in FY 2019

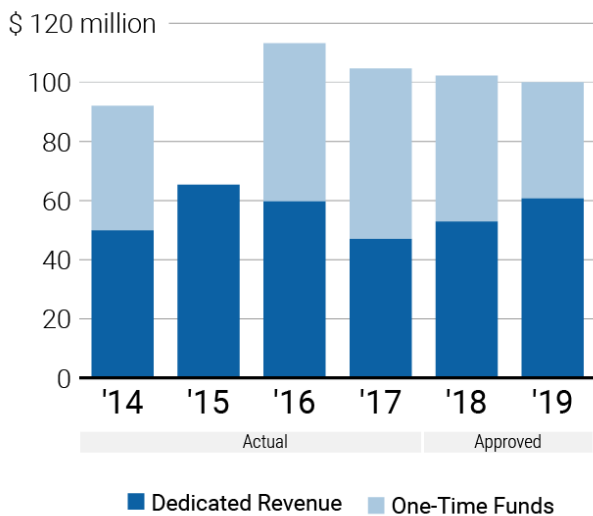


Note: All Other Affordable Housing Programs includes Dept. of Housing and Community Development, Preservation Fund, and DC Housing Authority Subsidy excluding Permanent Supportive Housing. All figures are adjusted for inflation. Source: Fiscal Year 2016-19 Budget & Financial Plans.

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FIGURE 2.

Housing Production Trust Fund to Be Maintained in FY 2019



Note: All figures adjusted for inflation. Source: Fiscal Year 2015-18 Budget and Financial Plans.

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Additional Resources Added to Affordable Housing Preservation Fund

The approved FY 2019 budget adds \$10 million to the District’s newest affordable housing tool: a fund dedicated to preserving existing low-cost housing.

This brings the total amount of resources available to the fund to \$20 million, including last year’s \$10 million investment. According to the Department of Housing and Community Development, these funds are expected to leverage an additional \$60 million in private-sector and philanthropic investment.

The affordable housing preservation fund will provide financing to help acquire and rehabilitate affordable housing projects, such as privately-owned buildings with federal subsidies that are about to expire. The fund was a key recommendation of the housing preservation strike force convened by Mayor Bowser in 2015.

Some New Rental Assistance, But an Insufficient Amount to Ensure Other Housing Resources Are Well-Targeted

The approved FY 2019 budget provides \$15.4 million in new funds for rental assistance through DC’s locally-funded rental voucher program, the Local Rent Supplement Program (LRSP) (Figure 3, pg. 3). These new investments are significant, yet fall short of substantially expanding access to deeply affordable housing.

Targeted Affordable Housing

The approved budget adds \$9.2 million to assist formerly homeless residents: 350 families and 110 individuals. This represents a 55 percent increase from last year, adjusted for inflation, bringing total funding for Targeted Affordable Housing (TAH) to \$25.0 million.

TAH helps residents who had been in Permanent Supportive Housing, and no longer need the included intensive services but still need help

affording housing. It also helps residents whose temporary Rapid Rehousing assistance is ending who still need help paying rent.

Tenant-Based Vouchers

The approved budget includes \$1.5 million for vouchers to help households on the DC Housing Authority waiting list pay the rent at a private market apartment. The funding will add 75 new vouchers, 16 of which will be reserved for seniors. This brings approved funding for tenant-based LRSP to \$30.8 million, a 3 percent increase from last year, adjusted for inflation.

Project-Based Rental Assistance

The approved budget adds \$5.1 million to the project-based component of LRSP, which provides operating assistance to affordable buildings. This increase is the largest for project-

based LRSP since the FY 2014 budget, and brings total funding to \$25.4 million (a 22 percent increase, adjusted for inflation).

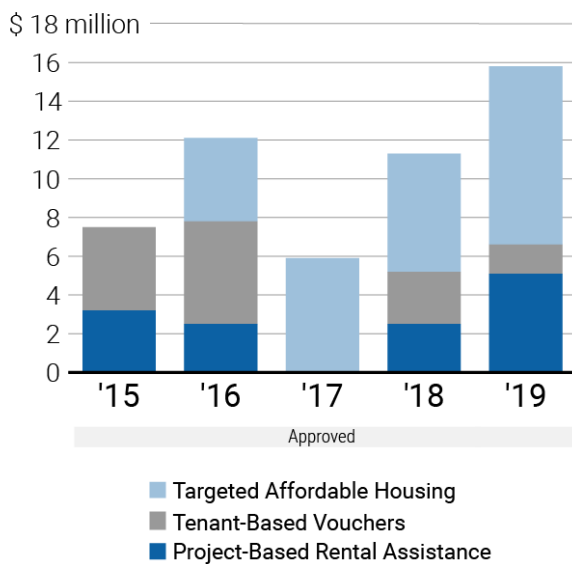
Of the \$5.1 million increase:

- \$3.3 million will provide operating subsidies linked to affordable buildings developed through the Housing Production Trust Fund. As outlined in the next section, project-based LRSP is critical to ensuring that Trust Fund units can serve extremely low-income residents. The new funding will assist approximately 163 units.
- \$1 million will provide subsidies to approximately 50 units in existing affordable buildings, to allow those units to serve residents with lower income levels. These funds were allocated for FY 2019 by the DC Council as part of the FY 2018 Budget Support Act,³ but were not preserved in the proposed FY 2019 budget (see below). The approved budget restores the funds.
- \$850,000 for operating assistance for public housing units redeveloped through the New Communities Initiative. The proposed budget included \$1.85 million for this purpose; however, of those funds, \$1 million was intended for existing affordable buildings, as described above, and was restored for that purpose in the approved budget.

FIGURE 3.

Approved Budget Adds New Funds for All Three Components of the Local Rent Supplement Program

Increase from previous fiscal year.



Note: All figures are adjusted for inflation.
Source: Fiscal Year 2015-19 Budget & Financial Plans; DC Council Committee Reports.

The District's recent affordable housing efforts have been ill-matched to need. Since 2015, when DC began large new investments in affordable housing programs, the District has produced or funded fewer new affordable rental units for extremely low-income households (those below 30 percent of the area median income, or AMI) than for higher-income groups—even though three-fourths of DC families who face severe housing challenges are extremely low-income (Figure 4).⁴

The primary roadblock in the District's ability to meet the housing needs of extremely low-income residents is the lack of adequate operating assistance and vouchers through LRSP. The sporadic nature of the District's investments in project-based LRSP have held back the city's ability to reverse its poor track record of meeting

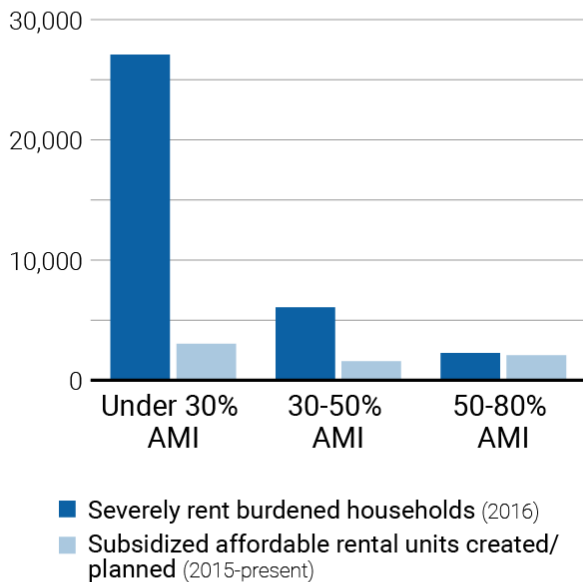
the statutory requirement that 40 percent of Housing Production Trust Fund resources serve extremely low-income residents (Figure 5).⁵ In the 5-year period between 2015 and 2019, the District is projected to have met the Trust Fund's extremely low-income targeting requirement only once.⁶

The approved budget's \$3.3 million enhancement for project-based LRSP linked to Housing Production Trust Fund units will help the District avoid even worse performance on the Trust Fund's requirement. However, it is short of what is needed to achieve full compliance with the law.⁷

Moreover, the enormity of the housing challenges faced by the District's extremely low-income residents—challenges which have damaging ripple effects across nearly every aspect of these resident's lives⁸—would require a far larger scale of public investment in deeply affordable housing through tools such as the Local Rent Supplement Program.⁹

FIGURE 4.

Most of DC's Affordable Housing Efforts Are Out of Reach of Lowest-Income Residents



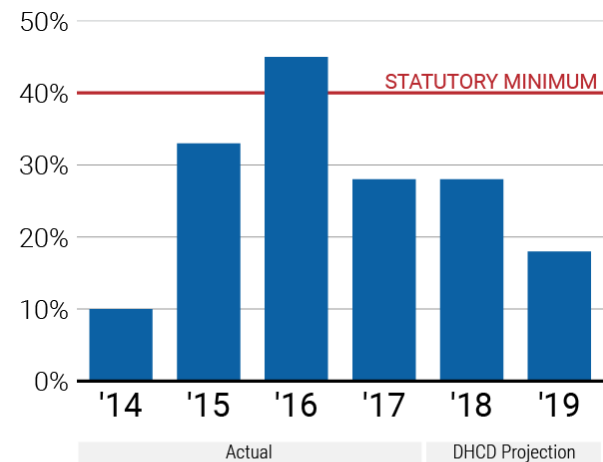
Note: AMI refers to area median income. Affordable rental units created/planned includes new subsidized units completed since 2015 or in the pipeline as of March 2018, and locally funded rent vouchers.

Source: DCFPI analysis of 2016 American Community Survey 5-year PUMS; DC Affordable Housing dataset via Open Data DC, DHCD Pipeline Dashboard, and secondary sources; Fiscal Year 2015-18 Budget & Financial Plans.

FIGURE 5.

Housing Production Trust Fund Fails to Dedicate 40% of Resources to DC's Lowest-Income Residents

Share of funds obligated in fiscal year to extremely low-income housing.



Source: Dept. of Housing and Community Development, Feb. 2018.

Large Increase for Down Payment Assistance for First-Time Homebuyers

The approved budget significantly expands programs that help low- and moderate-income residents become first-time homebuyers. The Home Purchase Assistance Program (HPAP) provides interest-free loans for down payment and closing costs. The Employer Assisted Housing Program (EAHP) provides down payment assistance to DC government employees.

Total funding for home purchase assistance programs—federal and local funds combined—will be \$26.2 million in FY 2019 (*Figure 6*). The budget adds \$9.2 million for HPAP and EHAP, a 50 percent increase after adjusting for inflation. Of the \$9.2 million increase, \$7.9 million comes from local funds, with the remainder from federal funds.

Funding for down payment assistance was also increased in FY 2017 and FY 2018, as the maximum amount of assistance available per household was raised to keep up with the District’s high and rising home prices. The increase for FY 2019 is intended to cover both the higher allowable loan amounts and the substantially higher demand for HPAP and EHAP among prospective first-time homebuyers.

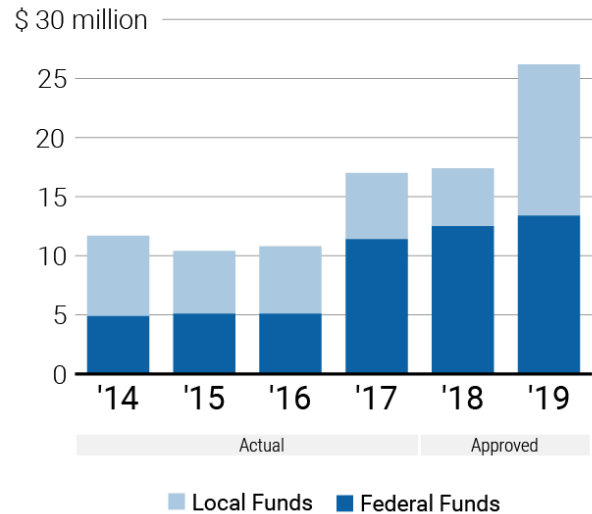
Approved Budget Supports Public Housing Repairs

The approved FY 2019 budget includes a one-time deposit of \$3.25 million in the public housing repair and maintenance fund. Due to federal underfunding, four out of five public housing units in DC are in need of significant repairs,¹⁰ and many residents suffer deplorable conditions.

The public housing repair fund was created in FY 2017; per the FY 2017 Budget Support Act, unspent funds from the Local Rent Supplement Program (LRSP) are deposited into the fund at the end of the fiscal year. However, FY 2017’s LRSP underspending was reprogrammed¹¹ rather

FIGURE 6.

Large Boost to Down Payment Assistance Programs Approved for FY 2019



Note: Includes Home Purchase Assistance Program (HPAP), Employer Assisted Housing Program (EAHP), and Negotiated Employee Assistance Home Purchase Program (NEAHP). All figures are adjusted for inflation. Source: Office of the Chief Financial Officer via CFOInfo.

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than placed in the fund. The approved budget will ensure that a minimum of \$3.25 million will be available to repair public housing in FY 2019, regardless of any future reprogrammings of FY 2018’s unspent LRSP.

New Shallow Subsidy Pilot for Seniors

A new pilot program will provide “shallow subsidies” to seniors with incomes up to 60 percent of the area median (equivalent to \$49,200 for a one-person household). The program will target seniors who need some help paying rent—up to \$500 per month—but who do not require the full level of assistance provided by a traditional rent voucher such as the Local Rent Supplement Program. The approved budget provides \$743,000 for the pilot, which will serve approximately 103 seniors.

Permanent Supportive Housing for Chronically Homeless Residents Will Increase in FY 2019

Permanent Supportive Housing places chronically homeless individuals and families into affordable housing with built-in case management services.

The approved FY 2019 budget includes \$13.5 million to expand Permanent Supportive Housing to approximately 350 families and 370 individuals as part of an effort to end chronic homelessness.¹² These changes are covered in more detail in DCFPI's analysis of the approved FY 2019 budget for homeless services.

TABLE 1.

Local Funding for DC's Main Affordable Housing Programs

In millions of FY 2019 dollars.

	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Approved	FY 2019 Approved
Department of Housing and Community Development	15.9	14.6	24.0	25.2	18.1	24.9
Housing Preservation Fund	—	—	—	—	10.2	10.0
Housing Production Trust Fund	92.1	65.3	113.3	104.7	102.3	100.0
DC Housing Authority Subsidy Includes Local Rent Supplement Program	37.6	37.8	40.6	59.5*	57.2	92.6
Total	145.7	120.5	196.8	187.0	209.0	227.5

* Includes a \$15 million one-time deposit into the public housing repair and rehabilitation fund.

Note: Figures for DC Housing Authority exclude funds for Permanent Supportive Housing rental assistance budgeted within DCHA. Source: Fiscal Year 2015-19 Budget and Financial Plans; Office of the Chief Financial Officer via CFO Info; information provided by the Mayor's Budget Office and Council Budget Office.

¹ Permanent Supportive Housing is not included in the total amount of funding for affordable housing, due to data consistency issues that preclude accurate comparisons across fiscal years. A short summary of PSH in the approved FY 2019 budget is available on page 5, and a full analysis can be found in DCFPI's analysis of the homeless services budget.

The Home First program, a rent subsidy program within the Department of Behavioral Health that helps individuals with mental health disorders bridge into long-term housing, will no longer be included in DCFPI's analyses of the affordable housing budget, due to data availability issues and because it is a bridge program and not a permanent affordable housing program.

² Claire Zippel, "[Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents](#)," DC Fiscal Policy Institute, 2018.

³ B22-0244, [Fiscal Year 2018 Budget Support Act of 2017](#), Title II, Subtitle U, "Local Rent Supplement Project-Based and Sponsor Based Funding." Effective from Dec. 13, 2017.

⁴ DCFPI analysis of American Community Survey 5-year Public Use Microdata Sample. Subsidized new rental units by income level is from the [Affordable Housing](#) dataset available through Open Data DC, which shows projects completed, under

construction, or in the pipeline 2015 through March 2018. Information on project type and tenure was obtained by matching projects to the Department of Housing and Community Development's [Development Finance Division Pipeline Dashboard](#), with remaining missing data filled using secondary sources. Projects associated with independent housing agencies (DC Housing Finance Agency or DC Housing Authority) *not* in partnership with a DC executive agency were not included.

⁵ Of recent Trust Fund-assisted units that have been affordable to extremely low-income households, nearly all were created by linking the unit to an ongoing operating subsidy from the Local Rent Supplement Program. Operating subsidies are typically seen as the best option to help deeply affordable buildings maintain a sustainable cash flow over the long term. Without ongoing assistance, units affordable at extremely low income levels would need substantially more up-front gap financing assistance.

⁶ Department of Housing and Community Development, FY 2017/2018 Performance Oversight Pre-Hearing Responses submitted to the DC Council Committee on Housing and Neighborhood Revitalization, Feb. 2018.

⁷ This author estimates that \$5.5 million in new project-based LRSP subsidies are required for every \$100 million investment in the Housing Production Trust Fund, in order for the Trust Fund to meet its statutory requirement that 40 percent of funds support housing affordable to extremely low-income residents.

⁸ Claire Zippel, "[A Broken Foundation: Affordable Housing Crisis Threatens DC's Lowest-Income Residents](#)," DC Fiscal Policy Institute, 2016.

⁹ Claire Zippel, "[Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents](#)," DC Fiscal Policy Institute, 2018.

¹⁰ Claire Zippel, "[DC's Public Housing: An Important Resource at Risk](#)," DC Fiscal Policy Institute, 2016.

¹¹ [REPROG22-0089](#), deemed approved Nov. 7, 2017.

¹² See note 1.