

**Testimony of Beth Mellen Harrison
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**Before the Committee on Housing & Neighborhood Revitalization
Council of the District of Columbia**

**Budget Oversight Hearing Regarding the
Department of Housing & Community Development**

April 23, 2019

The Legal Aid Society of the District of Columbia¹ submits the following testimony regarding the fiscal year 2020 budget for the Department of Housing & Community Development (DHCD).

Legal Aid supports increased funding for DHCD in three specific areas:

1. To ensure that two important rent control reforms enacted last Council period are fully-funded to go into effect;
2. To ensure that the Rental Accommodations Division (RAD) has sufficient funding to administer and maintain the Rent Control Housing Clearinghouse database; and
3. To provide sufficient funding for neighborhood-based activities, which includes funding to community-based organizations to provide tenant counseling.

We urge the Committee to identify funding for each of these priorities.

The Committee Should Ensure That Enacted Rent Control Reforms Are Fully Funded to Go Into Effect

During the last Council period, the Committee shepherded two important rent control reforms through to enactment, the Rental Housing Affordability Re-Establishment Amendment Act of 2018 (L22-0202) and the Vacancy Increase Reform Amendment Act of 2018 (L22-0223). Both laws have fiscal impacts and must be funded in the budget in order to go into effect.

¹ The Legal Aid Society of the District of Columbia was formed in 1932 to “provide legal aid and counsel to indigent persons in civil law matters and to encourage measures by which the law may better protect and serve their needs.” Over the last 87 years, tens of thousands of the District’s neediest residents have been served by Legal Aid staff and volunteers. Legal Aid currently works in the areas of housing, family law, public benefits, immigration, and consumer protection. More information about Legal Aid can be obtained from our website, www.LegalAidDC.org, and our blog, www.MakingJusticeReal.org.

The Rental Housing Affordability Re-Establishment Amendment Act of 2018 (L22-0202)² closes a potential loophole in current law that may incentivize landlords to rent to and then get rid of tenants with vouchers to evade the rent control law. The Rental Housing Act exempts units rented to tenants with vouchers from rent control.³ Previously, the law provided that once a subsidized tenant left, the unit would fall back under rent control at whatever rent level was last paid by the subsidy.⁴ This rent level may be far higher than the prior rent control level, creating the possibility for abuse. Law 22-0202 addresses this problem by setting the new rent control level for such a unit at the prior rent control level plus all annual CPI rent increases in the intervening time period. This change will remove the potential loophole and perverse incentive in current law, while ensuring that landlords still have strong incentives to rent to voucher holders.

The Vacancy Increase Reform Amendment Act of 2018 (L22-0223)⁵ imposes sensible limits on the rent increase a landlord may take when a rent control unit turns over. Under current law, a landlord is entitled to a rent increase of at least 10% when a rent control unit becomes vacant, and up to 30% to match the rent for a comparable unit.⁶ Landlords often take vacancy increases at or close to the 30% level, leading to rapid rent escalation and creating an incentive for landlords to turn over units frequently. Law 22-0223 limits landlords to a vacancy increase of 10% for tenancies of 10 years or less, and 20% for longer tenancies. Limiting rent increases to these levels will allow landlords to make necessary repairs and upgrades, while helping to stabilize rents for future tenants.

The Rental Housing Affordability Re-Establishment Amendment Act of 2018 (L22-0202) requires funding of \$39,000 for fiscal year 2020 and a total of \$231,000 over the four-year budget and financial plan.⁷ The Vacancy Increase Reform Amendment Act of 2018 (L22-0223) requires funding of \$277,000 in fiscal year 2020 and a total of \$3,324,000 in the four-year budget and financial plan.⁸ The Committee should ensure that both measures are fully funded so that they can go into effect.

² 66 DC Reg. 2874 (Mar. 15, 2019).

³ D.C. Code § 42-3502.05(a)(1).

⁴ *Id.* § 42-3502.09(a).

⁵ 66 D.C. Reg. 2893 (Mar. 15, 2019).

⁶ D.C. Code § 42-3502.13.

⁷ Office of the Chief Financial Officer, *Fiscal Impact Statement – Rental Housing Affordability Reestablishment Amendment Act of 2018* (Mar. 13, 2018), available at <http://lims.dccouncil.us/Download/39177/B22-0570-Fiscal-Impact-Statement1.pdf>.

⁸ Office of the Chief Financial Officer, *Fiscal Impact Statement – Vacancy Increase Reform Amendment Act of 2018* (Nov. 7, 2018), available at <http://lims.dccouncil.us/Download/37181/B22-0025-Fiscal-Impact-Statement1.pdf>.

The Committee Should Allocate Funding to Ensure the Rental Accommodations Division Can Implement the Rent Control Housing Clearinghouse Database

Later this year, the Rental Accommodations Division (RAD) is scheduled to take over administration and maintenance of the Rent Control Housing Clearinghouse database. After investing over \$1 million in the creation of this database, the Committee should ensure that RAD has sufficient funding for the IT and administrative support that will be required to operate this database successfully.

The Office of the Tenant Advocate (OTA) is tasked with creating the Rent Control Housing Clearinghouse, “a user-friendly, Internet-accessible, and searchable database for the submission, management, and review of all documents and relevant data housing providers are required to submit” to RAD related to rent control.⁹ The current deadline for this database to be fully operational is December 13, 2019. OTA then is required to turn over administration and maintenance of the database to RAD.

Once completed, the database will provide information on rent control/exempt status, bedroom configuration, and licensing status for all rental units, and – for units subject to rent control – information about rent level, current housing code violations, and current rate of return.¹⁰ Under the Rental Housing Registration Update Amendment Act of 2017 (passed as part of the Budget Support Act of 2018), all housing providers are required to re-register their rental units with this same information. Together these projects will ensure that government agencies, the Council, advocates, and members of the public will have comprehensive and up-to-date information on all rental units in the District.

OTA’s fiscal year 2020 budget, as proposed by the Mayor, includes \$321,000 to complete the database.¹¹ This amount is on top of nearly \$1 million previously allocated to the project. Unfortunately, RAD’s budget does not include any direct funding for administration and maintenance of the database. Without new funds for IT and administrative support, we are concerned that RAD will not be able to carry out its new responsibilities and the database project will falter. The Committee should inquire of DHCD – and specifically of the Rent Administrator – about the budgetary needs for this project and then should fund it accordingly.

⁹ *Id.* § 42-3502.03c(a).

¹⁰ *Id.*

¹¹ FY 2020 Proposed Budget and Financial Plan, Vol. 2 Agency Budget Chapters – Part I, B-133 (March 20, 2019), *available at* https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/DC_OCFO_Budget_Vol_2.pdf

The Committee Should Restore Funding for Neighborhood-Based Activities

The Mayor's proposed fiscal year 2020 budget increase funding for Neighborhood-Based Activities, part of DHCD's Residential and Community Services Division, by \$1.924 million to a total of \$8.057 million.¹² Legal Aid supports this increase and believes further funding, at least to the fiscal year 2018 level of \$8.448 million, is warranted.

The Neighborhood-Based Activities budget funds housing counseling and tenant technical assistance, via grants awarded by DHCD to community-based organizations such as the Latino Economic Development Center and Housing Counseling Services to provide housing counseling for tenants seeking assistance with the Tenant Opportunity to Purchase Act process, housing conditions problems, and home purchase. Legal Aid frequently works closely with these organizations to support this work, providing know-your-rights sessions and, where appropriate, legal representation for tenant association and individual tenants. The work of these organizations, in conjunction with legal services attorneys and others, support affordable housing preservation and the expansion of wealth-building through home purchase for the District's low-income residents.

Conclusion

We appreciate this opportunity to share our thoughts about the Mayor's fiscal year 2020 budget for DHCD. We urge the Committee to prioritize funding for previously-enacted rent control reforms, administration and maintenance of the Rent Control Housing Clearinghouse database by RAD, neighborhood-based activities, including funding to community-based organizations to provide tenant counseling.

¹² *Id.* at B-70.