

**Testimony of Elena Bowers
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**Before the Committee on Housing and Neighborhood Revitalization
Council of the District of Columbia**

**Budget Oversight Hearing Regarding
The Housing Production Trust Fund**

April 23, 2019

The Legal Aid Society of the District of Columbia¹ submits the following testimony regarding the Mayor’s proposed budget for the Housing Production Trust Fund (HPTF). The HPTF remains a critical tool for the District to support the production and preservation of affordable housing. The Mayor’s proposed budget increases the funding for the HPTF by \$30 million for FY20, to \$130 million, including dedicated revenue from deed and recordation taxes on high-end real property sales. However, this increase in funding does not keep up with the increased cost of providing affordable housing, and does not reflect the full amount that is needed to address the housing needs of Washingtonians with the lowest incomes. We urge this Committee to increase this investment, in order to keep pace with rising housing production and preservation costs and the ongoing escalation of the District’s affordable housing crisis.

Legal Aid represents hundreds of low-income tenants in housing cases each year. We work with countless families who are struggling to make ends meet, often because of lack of access to affordable housing. Far too many of these families are at risk of or are being pushed into homelessness because they cannot secure safe, stable, affordable housing. Many are long-time Washingtonians who face the difficult decision of leaving the District, as housing costs escalate out of reach.

The District government can and must dedicate more funding to preserve affordable housing and address this crisis. The HPTF remains one of the most important funding sources the District has at its disposal for creating affordable housing opportunities for low-income residents. This Committee should take steps to increase funding for the HPTF, above and beyond the increase proposed by the Mayor.

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.

Extremely Low-Income Tenants in the District Face a Severe Shortage of Affordable Housing

Extremely low-income tenants — those whose incomes fall at or below 30 percent of area median income — are being pushed out of the District because of a severe and deepening shortage of affordable housing. The vast majority of Legal Aid’s clients have household incomes at or below this income level, which equates to \$35,150 or less for a family of four. These families can afford rent of \$878 per month or less. And many of Legal Aid’s clients fall far below this income threshold. Adults with disabilities awarded minimum benefits through the Social Security Administration, for example, receive only \$750 per month and can afford rent of only \$225 per month.

In a city where the average rent for a one-bedroom apartment now tops \$2,000 per month, these residents are being left behind. Since 2002, the District has lost over half of its low-cost rental units, those renting for \$800 or less.² As private market affordable options continue to disappear, subsidized housing remains out of reach for most low-income tenants. The centralized waiting list for subsidized housing maintained by the D.C. Housing Authority (DCHA) has been closed for five years and still numbers over 40,000 families. At the same time, the pool of available subsidized housing units has been shrinking, as DCHA has pulled public housing units offline and site-based subsidy contracts through the U.S. Department of Housing & Urban Development (HUD) have ended at some properties.

The result of this deepening affordability crisis is that low-income families are paying far too much of their limited incomes for housing. Nearly two-thirds of extremely low-income households in the District pay half or more of their monthly income towards rent, a threshold that HUD classifies as “severely housing cost burdened”.³ In fact, nearly half of these families pay 80 percent or more of their monthly income towards rent.⁴ And this issue also is one of racial equity; of the approximately 27,000 extremely low-income, severely rent burdened households, 88 percent are headed by a person of color.⁵

The shortage of affordable housing, and accompanying heavy rent burdens are having devastating effects on Washingtonians with low incomes. Thousands of District residents are being displaced from their communities — and the District itself. A recently released study by the National Community Reinvestment Coalition found that about 40 percent of the District’s lower-income neighborhoods experienced gentrification between 2000 and 2013, giving the city

² D.C. Fiscal Policy Institute, *Going, Going, Gone: DC’s Vanishing Affordable Housing* (March 2015).

³ D.C. Fiscal Policy Institute, *A Broken Foundation: Affordable Housing Crisis Threatens DC’s Lowest Income Residents 3* (Dec. 8, 2016).

⁴ *Id.*

⁵ *Id.* at 1.

the greatest “intensity of gentrification” of any city across the country.⁶ The District also saw the most African American residents — more than 20,000 — displaced from their neighborhoods mostly by white, affluent, recent transplants.⁷

For those who are still struggling to remain in the District, as housing costs consume a higher and higher portion of a family’s monthly budget, other needs go unmet. Severely rent-burdened households are at higher risk for food insecurity, employment instability, and lack of proper medical care.⁸ These families also are far more likely to face eviction and, ultimately, possible homelessness. Eviction not only results in the loss of a family’s home; it can have devastating, long-term negative effects on physical and mental health, employment, and school performance.⁹

Extremely low-income tenants in the District will continue to struggle as housing costs escalate, unless the Council takes action to expand the production and preservation of housing units that are affordable at these income levels. The Housing Production Trust Fund is an important tool to create these deeply affordable housing units.

The Council Should Increase Funding for the Housing Production Trust Fund

The HPTF provides critical support for affordable housing in the District. The HPTF provides loans and grants to developers for the dual purposes of preserving and producing housing units that are affordable to tenants at targeted income levels.¹⁰ Forty percent of these loans and grants are required to be allocated for projects that are affordable to extremely low-income households.¹¹ Rental units produced using HPTF dollars generally must be maintained at affordable rent levels for 40 years, ensuring long-term affordability.¹² The D.C. Auditor reports that between 2001 and 2016, the HPTF was used to produce or preserve over 10,000 units of affordable housing.¹³

⁶ National Community Reinvestment Coalition, *Shifting Neighborhoods; Gentrifications and cultural displacement in American cities* (March 19, 2019).

⁷ *Id.*

⁸ *See id.* at 1-2.

⁹ *See, e.g.,* Matthew Desmond, *Evicted: Poverty and Profit in the American City* 296, 298, 299 (2016); Matthew Desmond and Carl Gershenson, *Housing and Employment Insecurity Among the Working Poor*, 63 Soc. Prob. 46, 59 (2016); Matthew Desmond, *Eviction and the Reproduction of Urban Poverty*, 118 Am. J. Soc. 88, 89, 118 (2012).

¹⁰ D.C. Code § 42-2802.

¹¹ *Id.* § 2802(b-1)(2).

¹² *Id.* § 2802.02(a).

¹³ Office of the District of Columbia Auditor, *Stronger Management of the Housing Production Trust Fund Could Build More Affordable Housing* 6-8 (March 2018).

For the past three fiscal years, the District has allocated \$100 million to the HPTF, making the Trust Fund one of the largest sources of local government funding for affordable housing. This funding comes from a combination of 15 percent of real property transfer tax funds, 15 percent of deed recordation tax funds, and a balance of general revenues.¹⁴

For FY20, the Mayor has proposed a 30 percent increase in total funds to the HPTF, increasing the annual allotment to \$130 million dollars. By increasing the proposed allotment, the Mayor has taken an important step towards catching the HPTF up to the increase in construction and preservation costs. However, according to a recent report by DCFPI, *to generate the same housing as in 2015, the 2020 HPTF would need \$150 million*. While a \$100 million commitment in 2015 would have yielded approximately 1,140 units, by 2019, that same commitment would only yield approximately 710 units.¹⁵

It is concerning that annual investments are not even keeping pace with rising costs, but there is little doubt that even greater investments are needed if the District truly wants to address the ever-deepening affordable housing crisis, particularly for extremely low-income tenants. The D.C. Fiscal Policy Institute's report, *Building the Foundation: A Blueprint for Creating Affordable Housing for DC's Lowest-Income Residents*, outlines a path to create 30,000 units of deeply affordable housing over a ten-year period. That report finds that achieving this goal would require \$2.6 billion in funding over a decade for construction costs, through the HPTF or a similar funding mechanism, and then \$732 million per year in ongoing operating assistance.¹⁶

Legal Aid is a member of the Fair Budget Coalition, which is advocating for \$200 million in the FY20 budget for the HPTF, with \$140 million specifically targeted to rental units affordable to extremely low-income households, along with additional funding for operating assistance for these units and additional tenant-based subsidies.¹⁷ While we recognize funding at that level would represent a substantial increase, we believe that request accurately reflects the current need. This Committee and the Council should focus on how to reach higher levels of funding for affordable housing production and preservation across all District housing programs, and allocating additional funds to the HPTF — and targeting funds to housing for extremely low-income households — would be an important step toward addressing our affordable housing crisis.

¹⁴ D.C. Code § 42-2802 (c)(16).

¹⁵ D.C. Fiscal Policy Institute, *To Ensure all Residents Have a Safe and Affordable Place to Call Home, DC Needs to Double Down on the Housing Production Trust Fund* (March 2019), available at: <https://www.dcfpi.org/all/to-ensure-all-residents-have-a-safe-and-affordable-place-to-call-home-dc-needs-to-double-down-on-the-housing-production-trust-fund/>

¹⁶ *Building the Foundation, supra*, at 7-8.

¹⁷ Legal Aid also testified at the Department of Human Services Budget Oversight hearing on April 10, 2019 and the D.C. Housing Authority Budget Oversight hearing on April 11, 2019, further outlining our recommendations for both tenant-based and project/sponsored-based LRSP funding, as well as funding for the Emergency Rental Assistance Program.

DHCD Must Ensure That the HPTF Meets Its Goals for Building and Preserving Affordable Housing for Extremely Low-Income Families

The D.C. Auditor's third and final report on the HPTF, issued last March, found that only 19 percent of units funded between 2001 and 2016 are affordable to families with extremely low incomes, even though the statute requires that a minimum of 40 percent of expenditures be targeted to this group.¹⁸ Indeed, while only 20 percent of HPTF expenditures are supposed to go to units affordable for households at 80 percent of area median income or above, these relatively high-rent units comprise 69 percent of all units funded through 2016.¹⁹

These results are unacceptable. The need for affordable housing is most acute for extremely low-income households, and that is where the District must target available resources. DHCD has made improvements in its targeting of HPTF dollars in more recent years — averaging closer to 30 percent of funds dedicated to extremely low-income households — but this still falls short of the statutory requirement. DHCD and the Council should ensure that, as investments in the HPTF are increased, the HPTF fully meets its obligations to these households.

DCFPI has found that almost all deeply affordable projects within reach of extremely low-income households and funded by the HPTF have included a combination of Trust Fund investments for up-front purchase and capital expenses plus ongoing operating support through the Local Rent Supplement Program (LRSP).²⁰ Ongoing operating assistance often is necessary for projects with rents that are affordable to extremely low-income households, because the rents levels those households can pay often are below per-unit operating costs.²¹ In addition to increasing funding for the HPTF, it is equally important that the Council provide increased funding for operating assistance through LRSP or a similar program. Unfortunately, the Mayor's FY20 budget does not include any new funding for project-based LRSP beyond the long-standing New Communities projects, and such funding has been uneven and insufficient in recent fiscal years as well. DHCD will continue to face challenges funding projects that are affordable for extremely low-income households unless the budget includes sufficient funding for project-based LRSP or similar operating assistance for new affordable housing projects.

Conclusion

Thank you for this opportunity to testify. We hope that the Committee will work between now and the budget mark-ups to increase the HPTF's funding and take steps to address the harm that our affordable housing crisis is causing low income District residents.

¹⁸ *Stronger Management of the Housing Production Trust Fund*, *supra*, at 9-10.

¹⁹ *Id.*

²⁰ *Id.* at 4.

²¹ *See id.*