

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Deputy Mayor for Health and Human Services



Testimony before the Council of the District of Columbia
Committee on Economic Development and Housing

Public Oversight Roundtable On “The Long Term Funding And Planning: Ensuring The
Survival Of The Local Rent Supplement Program”
Friday, October 26, 2012

Good afternoon. My name is Ariana Quiñones, Chief of Staff to Deputy Mayor for Health and Human Services, BB Otero. With me today is Eric Goulet, Deputy Chief of Staff to the Mayor and Director of the Mayor’s Office of Budget and Finance, and John Hall, Housing Advisor in the Office of the Deputy Mayor for Planning and Economic Development, who will help answer any questions you may have. We are pleased to provide testimony at today’s public oversight roundtable on the District’s Local Rent Supplement Program. The District’s Local Rent Supplement Program provides permanent rental subsidies for District residents up to 30% of the Area Median Income (AMI).

The Gray Administration is committed to ensuring our most vulnerable low-income residents, whether homeless, seniors or individuals with disabilities or mental illness, receive the support and shelter they deserve. However, we believe the Local Rent Supplement Program (LRSP), although well-intended, is outdated. The program is not financially sustainable for the District; fails to move people to self-sufficiency; and is not cost-effective and therefore limits the number of people who can be helped.

Fiscal Sustainability Concerns

The LRSP represents a strategy that has been phased out by every other state that has tried it because it does not work as hoped. The sponsor-based side of this program previously existed in the District under another name, the Tenant Assistance Program (TAP/Program). TAP grew during good fiscal times, but was no longer sustainable when the District’s budget tightened. The Program was eliminated by the Control Board, only to be brought back by the Council in 2006 and was then expanded when the District’s economy was booming.

In recent years, budget realities have again forced the Executive and the Council to make very difficult funding decisions. When Mayor Gray proposed the Fiscal Year 2012 budget, it was the first structurally balanced budget in three years. During the budget development process for both Fiscal Years 2012 and 2013, the Executive concluded there was not sufficient funding to support both the Housing Production Trust Fund AND the Local Rent Supplement Program. Because there were individuals and families already in the LRSP, and because we could not put those families out on the street, the Executive felt obligated to prioritize funding for the LRSP over the Housing Production Trust Fund (HPTF), a program that the Executive believes to be far more effective and sustainable. The Executive did not come to this decision easily; in fact, in each of the last two budgets, HPTF funding was one of the last items to be redirected when the budget was finalized.

The Council, faced with the same revenue and budget realities, has now twice agreed with the Executive that there is not enough funding to do both LRSP and HPTF, and the Council voted unanimously to dedicate funding from the Housing Production Trust Fund to cover the cost of LRSP. And since the District's budget needs to be balanced on an ongoing basis, the \$20 million re-direct will take place, by law, every year, unless the law is amended.

In both the Fiscal Year 2012 and 2013 Budget Support Acts, the Executive included language stating that the DC Housing Authority would not backfill tenant-based vouchers. The Executive wanted to provide a signal that it would try to control costs in this program, so that LRSP would not continue to consume the resources of the HPTF. Each year the Council has stricken this language, and has now proposed that the Executive be required to backfill all slots that become vacant through attrition. This legislation, if enacted, would prevent the Comprehensive Housing Strategy Taskforce from having an open dialogue with housing stakeholders about the best practices related to the HPTF and potential uses to address affordable housing.

It is also important to point out that there are nearly one thousand project- and sponsor-based vouchers in LRSP, for which the previous administration had entered into 15-year contracts to fund. Because of these contractual commitments, the Executive has encouraged the DC Housing Authority to continue to backfill these vouchers.

Backfilling the modest number of newly available vouchers ties the District's hands just when the Comprehensive Housing Strategy Task Force is looking at this issue and will likely recommend alternative approaches when it reports out in January 2013. The Task Force will analyze best practices from across the nation, and will examine the supply side of housing production. We need to be focused on developing long-term

solutions and ensuring we have the funds available to implement those long-term solutions. The Executive prefers to wait for the recommendations of the experts on the Comprehensive Housing Strategy Task Force before making a final proposal.

In the interim, the Gray Administration's Department of Human Services (DHS) has ensured and will continue to ensure that all DC families in need, who seek housing from the District, will be appropriately served. Thus far, DHS has responded to all requests from homeless families, and in each case where a priority one designation has been determined, DHS has ensured that these families are housed appropriately. Next Thursday, on November 1, 2012 hypothermia season will begin and the District will be required to place homeless individuals and families who intend to remain as District residents.

Programmatic Concerns

The District's Local Rent Supplement Program has grown by approximately 61% since the program was reestablished in 2007. The Executive looks forward to working with the Council and stakeholders to craft approaches to best address the tremendous affordable housing needs in the District.

The One City, One Hire program has proven to be a new national model, placing 4,774 District residents in jobs thus far. Housing, employment, education, and job training are clearly essential to any program that seeks to address 0 to 30% AMI individual or family who is currently receiving a rent supplement.

Need to Focus on Housing Production

As stated earlier, the Executive believes that there are challenges in taking money from the Housing Production Trust Fund to support the LRSP. Yet there is a greater need to invest in housing production. Savings generated from the LRSP, which become vacant through attrition, could be reinvested in housing production.

From fiscal years 2007 to 2011, more than \$114.7 million from the Housing Production Trust Fund has produced nearly 1900 units of affordable housing for households at or below 30% AMI. The annual average cost per unit has fluctuated from a peak of \$71,398 in FY 2007 to a low of \$49,334 in FY 2011. During this span, the average cost per unit has been approximately \$60,000.

The rent for affordable housing units financed by the District for a family of four earning 30% of AMI is approximately \$800. According to records from DCHA, the average

monthly subsidy payment for LRSP Tenant Based Program participant is \$1,200 per month. Based on these numbers, the District can realize 1.5 times the number of units by developing units with HPTF funds as opposed to subsidizing external rent payments. As a benefit of producing housing, the District may establish covenants that control the affordability of units and associated rents for up to 40 years.

Since the beginning of the Gray administration, DMPED has delivered on 475 affordable housing units. 143 of these units are at 30% of AMI, 328 of them are at 60% of AMI and 4 were at 80% of AMI. An additional 1,012 new affordable units are currently under construction. 131 of these units will be at 30% of AMI, 737 of them will be at 60% of AMI and 144 of them will be at 80% of AMI. These units are being created in almost every ward in the District and many of them are specifically geared for our New Communities efforts at Northwest One, Park Morton, Barry Farm and Lincoln Heights. The joint efforts of DMPED and DHCD in our administration have delivered over 1400 affordable housing units and we have an additional 1100 units of affordable housing under construction.

Looking Forward

The fiscal future in the District is uncertain. Unless the federal government intervenes, we will soon face the “fiscal cliff” brought on by sequestration. Many people believe that sequestration will be delayed because the cuts would result in a devastating economic downturn; however, most also believe that in the very near future significant federal cuts will be needed to address the federal budget deficit. This uncertainty has caused the bond rating agencies to place the District of Columbia, Maryland, and Virginia on negative outlook, because of the large federal presence in the region.

Mayor Gray has already stated that he intends to follow the District law that requires all end-of-year surplus funds to remain in the fund balance until the District reaches two months cash on hand. This commitment is intended to help demonstrate that the District of Columbia intends to continue to be fiscally prudent as we enter an uncertain time, and our decision as to whether we meet this commitment will quite possibly impact whether we maintain our bond ratings. Even if the law were not in effect, the future economic uncertainty the District faces would make any drawdown of the District’s savings account an unwise decision at the current time, and would be viewed poorly by the rating agencies. If our ratings go down because we spend our savings account now, our borrowing costs go up, and there is less money available for critical programs, such as affordable housing.

Should sequestration be avoided, there is a likelihood that an estimated additional \$49 million will become available in Fiscal Year 2013 due to increased revenue projections. If this revenue is recognized in the December revenue estimate, the Executive will propose to dedicate additional funding to key affordable housing priorities based on the Executive and Council's agreement on a priority list in the Fiscal Year 2013 Budget Support Act. Even if the revenue is recognized after December, the Executive could propose dedicating additional funding for housing for those most in need, subject to approval by the Council.

To summarize our recommended next steps on the Local Rent Supplement Program, the Executive would continue to hold local rent supplement tenant-based vouchers open until: (1) we get past sequestration and (2) we receive and consider the report from the Comprehensive Housing Strategy Task Force. In the meantime, the Executive will continue to fill project- and sponsor-based LRSP slots. The Executive would then like to work with the Council and the housing provider community to determine what changes need to be made to the Local Rent Supplement Program so that it is:

- Financially sustainable;
- Adequate to meet the needs of very low-income District residents between 0-30% of AMI; and
- Able to move people from dependency to self-sufficiency.

Additionally, the Executive would like to work with the Council to restore resources to the production side of housing through the Housing Production Fund and other housing development programs.

Again, thank you for holding this hearing on the incredibly challenging and important issue of ensuring we have a sustainable program to meet the housing needs of low-income District residents. We look forward to answering any questions you have today, and the administration looks forward to continuing to work with you in the coming months to develop a housing policy that everyone can support.