

The Committee of 100

on the Federal City



Testimony on the Mayor's FY21 Budget Request DC Council Committee on Housing and Neighborhood Revitalization

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I am Nancy MacWood, representing the Committee of 100 on the Federal City.

The Council's decisions on how public funds are appropriated in FY21 take on extra pressure and meaning since the city, nation, and world are spiraling from the devastating effects and uncertain future caused by both the coronavirus pandemic and pain from structural inequities and injustices. This budget review is the first test of how our leaders and we citizens will respond.

We recommend that Council make the following changes to the Mayor's 2021 budget.

First: Restructure the Housing Production Trust Fund (HPTF) to dedicate public funds for housing up to 50% MFI, not 80% MFI, in order to meet the greatest need for affordable housing.

It is not debatable that the income segment most in need of safe and affordable housing are individuals and families who earn less than 50% MFI. In 2017, the Zoning Commission studied the benefits of the Inclusionary Zoning program and concluded that the program should be restructured to concentrate benefits on the most in need or those earning up to 60% MFI. The Department of Housing and Community Development (DHCD) and the HPTF, which is the District's main source for affordable housing preservation and production, continue to provide subsidies for people earning up to 80% MFI. The C100 urges the Council to restructure those programs beginning with the FY2021 budget.

The total DHCD-funded units in recent years show little benefit for those households making up to 50% MFI. Of the new construction projects that came online in FY17, 18, and 19 (through 2/15/19) there was only one new construction project each in Wards 2, 4, and 5 and each had a majority of units for households up to 80% MFI. In Wards 7 and 8, two out of four new construction projects had a majority of units for households up to 80% MFI. Of all 1,226 units that came online during this period, only 223 were affordable up to 30% MFI and 236 up to 50% MFI.

In FY19, the pattern of HPTF funding for residents most hard hit by the lack of housing supply showed that only 12% of the funds, rather than the required 40% of the total funds, served those up to 30% MFI. The explanatory note in the Mayor's budget request states that HPTF was funding mixed use housing projects and they did not want to concentrate poverty at 0-30% MFI. This is not an acceptable excuse, and is evidence that HPTF should be restructured to focus on producing housing for the District's lowest income residents.

Second: Restore \$17M in funding for affordable housing since the city's number one issue is affordable housing and is a measure of our commitment to actively end inequities and unjust burdens on our most vulnerable residents.

The Mayor's budget request calls for a \$13M reduction in funding for HPTF, of which over \$9M of the decrease would be in Affordable Housing Project Financing and would directly affect the amount of new deeply affordable housing. The

Mayor's budget request also reduces the funding for **DHCD's** Affordable Housing Project Financing from over \$22M in FY20 to \$14M in FY21. The combined reduction of \$17M in funding for financing affordable housing conflicts with priorities of DC residents.

Third: Sufficiently fund those programs that hold the best chance of addressing the growing post-pandemic need for affordable housing.

While there are significant tools available to **HPTF** and **DHCD** to preserve and produce affordable housing, in many cases the tools have not been maximized and/or have experienced reduced funding. The FY21 appropriation is time to correct that problem for three important programs:

-Preservation Financing: The Mayor's budget request reduces this **DHCD** program from almost \$12.5M to \$781,000. The program facilitates the continued affordability of housing when federal subsidies expire. There is no metric in the budget documents showing the success of this program, but it's been funded near or above \$10M for the past few fiscal years. A drastic drop in funding for FY21 could result in the significant loss of affordable housing. Without clear and persuasive evidence from **DHCD** that no housing will be lost, the funding should be restored.

-Property Acquisition and Disposition (PADD): The Mayor's budget request increases the **DHCD** program by \$183,000 to \$2,317,000. The **HPTF** version of this program is reduced by over \$3M to \$6M. The program transforms vacant and blighted residential properties into productive use. Vacant property can be acquired through negotiated friendly sale or by eminent domain or tax sale. It then can be sold to individuals or developers to be developed as market-rate or affordable single-family or multi-family **for-sale housing**. With approximately 52 acres of residential-zoned vacant lots and the unmet promise of affordable homeownership as the gateway to building equity and family stability, this program should be better utilized and funded. No properties were acquired by **DHCD** in FY19 and only 2 in FY18 and 4 in FY17. The inventory was sold with 20, 18 and 6 dispositions respectively in FY19, FY18, and FY 17. We need more information on the nature of development on the sold lots, but Council should fund this program at a level to provide adequate funding to add significant numbers of vacant properties to the inventory and dispose of them in a manner that creates significant affordable housing. The Comprehensive Plan Framework Element estimates that there is potential for over 60,000 new housing units between vacant and underutilized land.

-District Opportunity to Purchase Act (DOPA): The Mayor's budget request includes no line item request for this program, which authorizes the Mayor to purchase rental buildings with substantial affordable housing in order to maintain and increase affordable units that could be lost to redevelopment. This program has been unreasonably slow to get going and no appropriation request for FY21 means that the supply of reasonably priced rental housing could be reduced at a time when affordable housing is critical. The Council should fund this program in FY21 at a level that would produce a list of eligible properties and facilitate the acquisition and sale of at least 10 properties. It is a matter of urgency that Council prioritize funding for effective ways to produce and preserve the most affordable housing.