

## **Saving DC's Rental Housing Market Strike Force**

**Friday, February 5<sup>th</sup>, 2021 | 3:00 pm to 5:00 pm**

### **Draft Summary Notes**

Strike Force Members Present: Alex Baca, Josh Berstein, Buwa Binitie, Tom Borger, Councilmember Anita Bonds, Ralph Boyd, Christopher Donald, Polly Donaldson, Tyrone Garrett, Kristy Greenwalt, Steve Glaude, Michele Hagans, Dean Hunter, AJ Jackson, Ramon Jackson, Aurélie Mathieu, Randi Marshall, Sarosh Olpadwala, Kay Pierson, Councilmember Brooke Pinto, Eva Rosen, Johanna Shreve, Marian Siegel, Councilmember Elissa Silverman, Yesim Taylor, Andrew Trueblood, Monica Warren Jones, Tonia Wellons, Laura Zeilinger

Strike Force Members Absent: Associate Judge Todd Edelman, Evelyn Harrison

Strike Force Members' Associated Staff Attendees: Jennifer Berger, Maya Brennan, Scott Bruton, Joel Cohn, , Liz DeBarros, Vivian Guerra, Gabrielle Johnson, Irene Kang, Richard Livingstone, Danilo Pelletiere, Ram Uppuluri, Barry Weise, Tim Wilson, Chris White

Consultant Attendees: Josh Babb, Mencer "Don" Edwards, Kayla Elson, Gabrielle Jackson

Members of the Public: BA Cockburn Ben Gutman, Jamie, Jay, Mark Johnson-Lewis, Amanda Karber, Susan,

**Next Meeting Date: Friday, February 12th from 3:00pm-5:00pm**

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#### **Call to Order**

Don Edwards, Justice and Sustainability Associates (JSA), called the meeting to order at 3:00pm and reviewed the agenda.

#### **Welcome**

Director Polly Donaldson (Chairperson) thanked all members of the Strike Force and acknowledged that the group has been referenced in other District public forums over the last week, including the D.C. Council Public Roundtable. She indicated that this is the first public meeting of the Strike Force and acknowledged Aurélie Mathieu, Assistant Attorney General for Policy and Legislative Affairs, and Judge Todd Edelman, D.C. Superior Court, as recently confirmed members of the Strike Force. She reiterated that the work of the Strike Force will focus on immediate crises facing the rental market as well as medium and long-term issues.

#### **Open Meeting Process Review**

Don Edwards recognized the ground rules of the Strike Force and reviewed several public meeting regulations, including advanced notice of scheduled meetings and the availability of meeting summaries. He noted that the meeting is being recorded for public record. Public observers will also have the opportunity to comment via chat at the end of every meeting. All comments will be documented as part of the public record.

### **Strike Force Protocols & January 29th Meeting Summary**

Members adopted by acclamation the draft protocols, which outline the purpose, charge, membership, and ground rules of the Strike Force, as well as the January 29th meeting summary. These documents will be part of the public record.

### **Mayor's Goals and Housing Framework for Equity & Growth**

Andrew Trueblood, Director of the DC Office of Planning (OP), presented the District's Housing Framework for Equity and Growth. The Framework, originally announced in 2019, acknowledges the District's population growth rate as well as the array of social disparities across the city. The Framework notes Mayor Bowser's goal of 36,000 additional housing units (of which 12,000 will be affordable units) by 2025 and includes a Housing Equity Analysis, that informs how the District can produce more affordable housing in the city. This Framework is an ongoing effort, involving collaboration with the Department of Housing and Community Development (DHCD), District Council members, and additional housing partners.

### **Strike Force Focus Areas**

Kayla Elson, JSA, reported high-level themes from responses to a worksheet sent to Strike Force members earlier in the week. The worksheet asked members to identify key focus areas for the Strike Force to address. Many responses reflected the importance of ensuring resident stability, addressing affordable housing, and keeping a racial equity lens. Additional focus areas themes included addressing the eviction crisis, re-evaluating rent control and related policies, and how to involve the entire rental housing market "ecosystem" in decision-making. Strike Force members will receive a document with a fuller description of the 17 submitted responses.

### **Discussion (Q&A)**

*(Q=Question, A=Answer, C=Comment)*

*Discussion related to the Mayor's Goals and Housing Framework for Equity & Growth*

- **Q:** What are the sizes of the affordable units referenced in the Housing Framework presentation? Were any of those units inclusive of the replacement units done for the DC hospital?
  - **A:** It may be that short term family shelters were not included in the count because they're not permanent housing sites, but it will depend on whether they're included in the dashboard that the Office of the Deputy Mayor on Economic Development (DMPED) keeps on housing development.
- **C:** To remain consistent with the Mayor's housing goals, it's important to fund as many projects in the 2019 consolidated RFP that are in the pipeline. We also hold a FY2021 RFP so that projects can get scored with the anticipation of more federal funding.
- **Q:** I would like follow-up data on how the 2025 Dedicated Affordable Housing Production Goals were created, as well as any information on the stark contrast between housing allocation in

Rock Creek and East of the River, as referenced in the Housing Framework presentation. How will the ERAP program and other rent relief options be streamlined to accommodate the needs we're seeing now?

*What additional focus areas and data should this group collect and address?*

- **C:** Borger Management's rental portfolio comprises approximately 2,530 rent-controlled apartment units in Ward 3--81.2% are physically occupied. Approximately 560 units are available, but we are not leasing the units that are significantly below market rent levels. We're also not allowed to spread concessions over more than two months. The current market rate rent is 20% lower than average, so if rent-controlled housing providers lower the rent to get an occupancy, they cannot return to 2019 rental rates upon the tenant's departure. This is of great concern to market-rate, rent-controlled housing providers. We're conducting a study on the increase in rental income, operating expenses, and its effect on net operating expenses on these buildings from 2010-2020.
- **C:** Being data-driven is important, but let's remember that we're also talking about the human beings living in these units. This group should discuss how to best communicate incoming changes and available assistance to the public.
- **C:** The Strike Force should look at the tenant-landlord relationship and how we manage tenant-landlord disputes.
- **C:** DC Housing Finance Agency (DHFA) received 20,000 applications from its 30,000 units while distributing housing stabilization grants (HSG). DHFA saw 30% delinquency across units, with the average delinquency of \$3,000 per unit. Is delinquency accelerating overtime? How did the pre-covid impact on delinquency affect constituents as we move forward? DHFA is working with the Department of Human Services (DHS) and D.C. Housing Authority (DCHA) to explore solutions for constituents who still require additional assistance.
- **C:** Our focus should be keeping people whole while weathering the pandemic, not necessarily "evading the eviction crisis." I'd like more data on the difference in rental payments in subsidized and unsubsidized housing. Who is not paying their rent and what are the right tools to address it? In regards to mid- and long-term, where do we go post-pandemic regarding affordable housing? What housing tools are we going to use to ensure affordability for our less than 50% AMI renters as well as moderate income (60% AMI) renters?
  - **A:** So Others Might Eat (SOME) is in the process of harvesting this data from subsidized housing units (tenants within the 0-30% AMI band) and happy to share upon complete analysis.
- **Q:** I'd like to examine whether the loss of naturally occurring affordable housing (NOAH) units is impacting the 12,000 affordable units the District is looking to gain. Are we losing more affordable units overall than we're gaining?

- **A:** The Urban Institute has conducted research and has data on NOAH. Yes, there is a net loss of NOAH units relative to new production.
- **C:** Delinquencies are very different across income bands. Providers of naturally occurring affordable workforce housing that is rent-controlled don't have a delinquency problem, but a demand problem. Rents have fallen significantly so to lease the rent-controlled units at current rates, it will be 20 years before we can return to 2019 rates. Providers are currently facing dramatically reduced incomes, but there's an excess supply of workforce housing, which is an opportunity for the city to preserve as many units as possible. Tenant Opportunity to Purchase Act (TOPA) is a tool, but it would be great for the city to exercise its District Opportunity to Purchase Act (DOPA) rights to save naturally occurring workforce units, as market forces tend to eliminate them.
- **C:** I'd like the group to identify and compare pre-pandemic and current pressures on the housing market. As well as look at how existing DC policy tools may work against each other (i.e. conversion of hotels into housing and increased inclusionary zoning requirements). DC Policy Center can offer data on the full view of the DC rental housing market with the Strike Force.
- **C:** Let's not yank the policy levers too hard to remedy a short term crisis and in ways that will haunt us in the longer term.
- **Q:** Is there a timeline for the emergency assistance to the tenants, landlords, and providers? Will the tenants be transitioning from the emergency assistance to a long term assistance initiative? Will they have to look for another type of unit to live in?
  - **A:** There's more longer term economic impact on the lower-moderate income population as they may not be able to afford their units moving forward. As the health situation improves, entertainment re-opens, students return, and rent can be increased in non rent-controlled units, we'll see the same demand-supply imbalance in workforce housing that we saw 18 months ago, pre-pandemic.
- **C:** There was a great tenant demand for ERAP rental assistance before the pandemic. As we foresee additional federal emergency rental assistance, there is still going to be a need for local funds to assist tenants at risk of homelessness and undocumented individuals.
- **C:** We should examine existing rent control to ensure tenants are not taken advantage of as well as increase education on the present demand and availability of units. What data is available on housing provider complaints related to the lack of eviction exceptions? What is the appropriate incentive to make sure housing providers are converting their existing vacant units to affordable units?
  - **A:** Apartment and Office Building Association (AOBA) is collecting data on public safety incidents in buildings vs. nuisance incidents, by ward. We are also reaching out to DC courts regarding ejectment data. AOBA is happy to share data with the Strike Force.

- **C:** A lot of the vacancy we're seeing in affordable units is driven by students not being in the city. Also consider that many workforce personnel have vacated the city, many of whom lived in group housing accommodations. The current rate of vacancies are likely temporary once students come back.
- **Q:** I want to make sure I understand the cause of the high vacancies of rent-controlled workforce units because there are government worker residents at 60% AMI who say they cannot afford to live in the city, yet providers are saying they cannot lease their available workforce units. Can someone clarify?
  - **A:** In a rent-controlled building, a rent reduction resets the rent level from which future rent increases are based. Providers are not going to slash rent by 30% on a rent-controlled building because once the pandemic ends, they will never recover from that reduction and it will permanently diminish the value of the building.
- **C:** Some dollars are better than no dollars. What are providers going to do with the vacant units? Because the building will remain under rent control post-pandemic. How can we manage this process? The elephant in the room is that the eviction moratorium will ultimately end.
  - **A:** What we have right now is a market dislocation. Demand has dropped dramatically because workers and students have left the city. There's an excess supply of rent controlled units and market rents have fallen 20% or more, well beyond rent regulation. A market-controlled provider can lower their rent by 20% now, but raise rates in subsequent years as they have no restrictions on their rent increases. It's not a level playing field for rent-controlled providers, so they're deciding to keep their units vacant and wait for the market to recover rather than lower the rent now and suffer a long-term loss.
    - **C:** It sounds like a request to examine and potentially modify the current rent control law to allow for those rent-controlled rents to grow by more than 2% or allow providers to return to market rate on vacancy units. It will be a tedious process to review the legislation.
- **C:** There's been continuity from our conversation last week and we'll look to further organize the data and have presentations in order. We want the Strike Force to catalyze some of the data collection and analysis so we will share a repository with members.

*Are there any further implications of today's conversation?*

- **C:** We can advocate for the growth in all types of housing, especially affordable. This group should focus on neighborhood density, walkable communities, and preserving the vitality of existing commercial and cultural institutions. Let's not let our short-term crisis overwhelm what we're doing to improve the city as a whole.

- **C:** Be cognizant of how the Office of Tax and Revenue (OTR) assesses the value of properties and property taxes. Providers are asking OTR to return to an actual based income and expense evaluation rather than a market evaluation, at least for the duration of the present health crisis.
  - **A:** Property taxes are a real problem for the small providers who have seen a 20% reduction in their revenues and are not collecting rents. The Small Multifamily Owners Association (SMOA) will survey members to provide further data.
  
- **C:** Rent control is not affordable housing. Rent control has nothing to do with the need or income of the tenant. If we're considering housing affordability, we have to recognize that there is no means-testing in rent control.
  
- **C:** Many of these vacant units were rented as Airbnbs, which allows us to document the impact of temporary rentals on long-term housing in the District.
  - **A:** Airbnb has an interesting attachment to the housing market, particularly the shadow market and how it distorts the availability of affordable housing. The 2018 Short Term Rental Regulation Act revealed that a number of providers preferred to rent their properties on the short-term market rather than the long-term rental market. How do we incentivize these providers to enter the long -term rental housing market?
  
- **C:** I encourage the group to expand the conversation to housing vouchers and other tools to promote long term affordability and stability for tenants.
  - **A:** In light of the Biden Administration's commitment to housing as a right and expanding federal vouchers, this group should consider the District's related future commitment.
  
- **C:** The District is allowed to build more housing. Probably not as much as we need, and how to build cheap housing if not subsidized to a certain AMI is a challenge, but we are not solely restricted to our existing housing stock. It will require building more in places where we haven't, particularly affluent neighborhoods.
  
- **C:** How do we use the tools we have effectively? How do we see the District housing market develop over the next 5-10 years? The data we collect now can inform the areas we need to consider. Constituents have asked that we figure out how to create affordable units out of the available market rate units.
  
- **Q:** How should the Strike Force be thinking about the distinction between standalone legislation out of the housing committee vs. changes that this group may want to see?
  - **A:** The Preservation Strike Force was able to do both. We started off with a policy goal that was agreed upon as a recommendation to the Mayor and from that came legislative and budgetary complements. This group will look to do something similar as some of what we recommend will require legislation.

- **C:** This conversation has highlighted that our current tools are not addressing our most pressing issues--do we really have a housing affordability plan for low and moderate income levels? Constituents have said they cannot afford to live in the city, even prior to the pandemic. I hope this group centers equity and looks at solutions beyond housing vouchers.

### **Public Comment**

*The following comments were received via chat and read aloud to Strike Force members.*

- **C:** While there may not be a way to "evade" the eviction crisis, with eviction's primacy, are there plans to include one or more eviction legal services providers to this Strike Force?
  - **A:** The Housing Counseling agencies do have legal staff that provide those services and Strike Force members include Assistant Attorney General Aurélie Mathieu and Judge Todd Edelman from the DC Superior Court.
- **C:** Housing Counseling Services does not provide legal services. That is incorrect.
  - **A:** We will look into that and provide further information in the next meeting.
- **C:** Over the last 20 years commercial banks from the largest to to the smallest have lent over \$7 billion to fund multifamily housing in the District. Should we include the banks in this dialog about solutions like using debt relief for market rate landlords as part of their community reinvestment act activities to incentivize conversion to affordable units?
  - **A:** The Strike Force has some financial institution representation as well as individuals who have developed affordable housing through relationships with national and local banks. The real issue is the potential for how the group will develop recommendations related to the Community Reinvestment Act (CRA) and the economic impact of the pandemic on the housing market.

### **Closing Comments**

Kayla Elson detailed post-meeting materials. Before the next meeting, Strike Force members will receive an updated version of the Strike Force protocols, a copy of today's meeting summary, an agenda for next week's meeting, and access to an online repository with Strike Force related documents.

Director Polly Donaldson thanked the group for the candor and respect shown in the discussion. She affirmed that the large group meeting is an opportunity to hear different perspectives among the Strike Force. Members will receive a draft calendar of presentations for the months of February and March.