
GOVERNMENT OF THE DISTRICT OF COLUMBIA



DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT

TESTIMONY OF
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SPENDING AND PERFORMANCE OVERSIGHT HEARING FOR THE
FISCAL YEAR 2007 AND FISCAL YEAR 2008 BUDGETS OF THE
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

COMMITTEE ON HOUSING AND URBAN AFFAIRS
THE HONORABLE MARION BARRY, CHAIRMAN
COUNCIL OF THE DISTRICT OF COLUMBIA

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Good afternoon Chairman Barry and members of the Committee on Housing and Urban Affairs. I am Leila Finucane Edmonds, Director of the Department of Housing and Community Development. Here at the table with me today is George Dines, Agency Fiscal Officer. I am pleased to appear before the committee today to report on the Department's performance in Fiscal Year 2007 and the first quarter of FY 2008.

ORGANIZATION/FTEs

DHCD's mission is to create and preserve opportunities for affordable housing and economic development and to revitalize underserved communities in the District of Columbia. For FY 2007, the Department had a total of 150 Full-Time Equivalent (FTE) positions to fulfill this mission.

The Housing Regulation Administration was established in FY 2008, which brought an additional 28 FTEs through the transfer of 2 divisions from the Department of Consumer and Regulatory Affairs (DCRA) to DHCD. For FY 2008, DHCD will have a total of 178 FTEs. Currently 147 of these positions are filled.

FUNDING

I am pleased to report that in FY 2007, the Department continued to increase its production of affordable housing opportunities. More than \$157 million was expended in FY 2007, an increase of 5% over FY 2006. In addition, DHCD has a full pipeline of projects obligated with FY 2007, and all budgeted FY 2007 funds that were not disbursed are obligated or committed for development activities in FY 2008.

In FY 2007, the majority of the Department's spending came from three (3) principal sources:

1. \$75 million in Community Development Block Grant (CDBG) funds;
2. \$70 million in Housing Production Trust Fund (HPTF) dollars; and
3. \$4 million in Home Investment Partnerships Program (HOME) funds.

These dollars supported the Department's affordable housing programs and initiatives, including the development finance, homebuyer assistance and neighborhood-based activities.

The Housing Production Trust Fund is significant funding source for DHCD. For FY 2008, according to the Office of the Chief Financial Officer, the HPTF revenue estimate is \$47 million, and the fund balance at the end of FY 2007 was \$87 million. Together, a total of \$134 million is available for FY 2008. Based on the current pipeline, DHCD's projected FY 2008 spending for both sale and rental affordable housing units is \$134 million. This spending does not take into account \$16 for the New Communities Initiative securitization, \$4 million for the Workforce Housing Land Trust, \$3 million in administrative costs or \$10 million in additional funding for the Site Acquisition Funding Initiative. As such, there is a projected negative balance of \$33 million. In addition, we have additional \$30 million from the supplemental budget for the HPTF.

SUCSESSES

We have utilized our funding to significantly impact the lives of many District residents. In FY 2007, DHCD funded a total of 2,773 units of affordable housing, of which 1,247 are for homeownership. That number

also includes 1,369 preserved and rehabilitated units of affordable housing through multi-family development finance, single-family residential rehabilitation, and lead hazard control. In addition, DHCD provided 3,292 instances of technical assistance to small businesses and provided grants for storefront façade improvement to 25 businesses.

Homeownership

Over the past two years, the Department has significantly increased the resources targeted to homeownership, and I want to highlight two areas in particular, the HPAP program and our financing and technical assistance for Tenant Purchases.

Under the HPAP program, the Department had several key accomplishments for FY 2007 and the first quarter of FY 2008. Regulations implemented by the Department in Fiscal Year 2006 continue to result in a significant expansion in the Home Purchase Assistance Program. In FY 2007, DHCD helped 513 families become first-time homebuyers, representing an investment of more than \$27 million, which is three times more than the Department's expenditures for this program in FY 2006. In FY 2008, \$34 million is budgeted for HPAP. We have helped 152 families in the first quarter of FY 2008 and are on pace to exceed last year's numbers and our goal of 475 first time homebuyers.

Tenant Purchase

Financing and technical assistance for acquisitions and rehabilitations by tenant groups exercising their rights under the Tenant Opportunity to

Purchase Act continues to be in high demand. This financing is a preservation as well as a homeownership tool for the District as it gives residents an opportunity to purchase their building where a third party offer has put their building at risk at changing ownership and possibly affordability. Last year, we financed 149 units of tenant purchase, and provided counseling and technical assistance for tenant services/purchases to 310 properties through our grants agreements with Housing Counseling Services, the Latino Economic Development Corporation and the Development Corporation of Columbia Heights. Currently, 15 tenant purchase projects are in the pipeline requesting a total of nearly \$37 million in funding. These projects alone will result in approximately 380 new homeownership units that will maintain affordability for at least 15 years. With the desired result of both preservation of long term affordability and homeownership, I feel it is critical that we continue to make funding and technical assistance available for these projects.

NEIGHBORHOOD-BASED ACTIVITIES

It is also important that we continue to provide services to communities that not only provide affordable housing, but support community revitalization. DHCD's Neighborhood Based Activities program works with several community-based organizations to provide programs and services that stabilize communities. Under this program, DHCD provided comprehensive housing counseling, crime prevention, small business technical assistance, storefront façade improvements and affordable housing preservation. Through these programs, DHCD provided 19,079 instances of housing counseling, assisted 10,931 youth through crime prevention, provided 3,292

instances of technical assistance to small businesses and provided grants for storefront façade improvement to 25 businesses.

GROWTH

As noted earlier, DHCD grew significantly in FY2008 through the transfer of two divisions from DCRA. A second transfer that occurred was that of the Home Again Program from the DMPED to DHCD.

HRA

Through legislation enacted in FY2007, DHCD's Housing Regulation Administration was established in FY 2008. These functions include condominium and cooperative conversions, residential rental housing registration and licensing, rent adjustment procedures, and staffing for the Rental Housing Commission. DHCD has already made significant progress in improving the efficiency of these services. Within the first quarter, DHCD filled key positions, including the hiring of the Housing Regulation Administrator, the Rent Administrator, two Rental Housing Commissioners, and support staff. We also reduced Rental Accommodations Division case backlog from 92 to 44 cases, reduced the number of appeal awaiting certification from 10 to 1, improved accessibility of forms, and implemented a records management plan to address both a number of unfiled documents and to establish a system for efficient filing, moving forward. Improvement the filing system is paramount for us, as the Housing Regulation Administration is where all rental units in the District are registered.

PADD

By Mayor's Order dated September 27, 2007 and effective beginning FY 2008, the authority for the acquisition and disposition of property was transferred from DMPED to DHCD. In order to more aggressively address vacant and abandoned properties in the District, the Home Again and Homestead Programs have been combined to establish the Property Acquisition and Disposition Division in FY 2008. Significantly, PADD is moving the Ivy City Trinidad Demonstration Project dispositions forward and expects groundbreaking on the first units in June 2008. The Department is seeking innovative ways to use these programs to address nuisance properties and return them to the usable housing stock.

Multi-Family Development Finance

DHCD continues to provide gap financing to developers seeking to produce or preserve affordable housing. DHCD, over the past year, closed 34 projects, which yielded 2,135 units for a total investment of \$101 million. The primary source continued to be the Housing Production Trust Fund. The Department has worked to structure loans to ensure repayments on these loans. These efforts will help DHCD sustain funding for the Trust Fund so that it will continue to support affordable housing projects. In addition, DHCD has worked to enhance underwriting and compliance procedures so that projects are brought to closing more quickly and efficiently.

Noteworthy development projects include:

- Highland Dwellings redevelopment, which will provide 74 homeownership units and 30 rental housing units in Ward 8;

- Wesley House, a 127-unit facility in Ward 5 that will create affordable housing for seniors;
- Mayfair Mansions, the largest transaction in the Department's history, is a Ward 7 project that will preserve 409 units of affordable rental housing and 160 affordable homeownership units;
- R Street Apartments, which will preserve 124 units of affordable housing in Ward 2; and
- Ontario Court, a multi-use facility in Ward 1 that will preserve 27 units of affordable housing in Adams Morgan. This project will also include a 24-hour early child development and day care center. DHCD used New Markets Tax Credits as a financing mechanism for this project, and it is an example of DHCD's efforts to find innovative ways to leverage funding. We plan to use this as a model for other mixed-use development.

NEW INITIATIVES

We had much success in FY 2007, and there are several new initiatives underway for FY 2008, including revising the Request for Proposals (RFP) process, implementing green building design standards, developing an affordable housing locator, implementing an initiative to increase homeownership among DC government employees and facilitating increased compliance with HUD Section 3 requirements.

Changes to the RFP

DHCD made several changes to its FY 2008 RFP, including new scoring methods, the inclusion of funding from the Department of Mental Health

(DMH) for the production of units for use by special needs consumers, and the release of the RFP on CD, which drastically decreased the production of paper copies.

Green Design Initiatives

The RFP also included new green building requirements consistent with the Green Building Act of 2006. DHCD will require features to enhance energy efficiency and sustainability in each development project selected for financing. To facilitate adoption of green building practices by nonprofit developers, DHCD and the DC Green Communities Initiative, which is a partnership between Enterprise Community Partners and GreenHome, are funding technical assistance grants for integrated design charrettes.

Affordable Housing Locator

DHCD is also in the process of developing an online affordable housing locator that will allow the public to search for affordable units. The search can be made for location, price, accessibility features, and unit size, among other criteria. The service will include a call center to allow those with limited Internet access to call and have a search done for them in English or other languages. It is anticipated that this locator will be available by the end of the summer.

Permanent Supportive Housing

DHCD continues to recognize the importance of providing housing for special needs populations. Specifically, we are working with the Department of Human Services to release a Consolidated RFP in the Spring

of this year, which will result in 47 units of permanent supportive housing for the homeless. We are also working with the Department of Mental Health to provide 300 units of supportive housing over the next three years.

DC Government Employees Homeownership Initiative

DHCD is making efforts to increase the number of DC government employees who own homes in the District. To that end, the Department recently released a Request for Applications to select a nonprofit organization that will work to increase homeownership opportunities among District Government employees. This initiative will also include the development of a District government employee housing registry.

Section 3

Finally, DHCD has made Section 3 compliance a top priority in recent months. Section 3 requires contractors that receive federal funding to provide job and other economic opportunities to low- and very low-income persons. We are working with HUD, the DC Department of Employment Services, and our sub-recipients to ensure that low- and very low-income persons can take advantage of employment opportunities that are the result of DHCD funding. The Giant food store that opened recently at the former Camp Simms site is a prominent example, employing 200 local, low-income residents.

INTERAGENCY COLLABORATIONS

DHCD understands that furthering affordable housing opportunities in the District is a task that requires cooperation between numerous facets of

government. We are working closely with our colleagues at the Office of the Deputy Mayor for Planning and Economic Development, the DC Housing Authority and the DC Housing Finance Agency on housing policy issues and have established or are in the process of effecting new partnerships with other agencies, including the Department of Mental Health, the Department of Human Services, the Department of Small and Local Business Development. In addition, DHCD serves on several interagency councils, including work groups on permanent supportive housing, long term care, vacant property and green living.

CONCLUSION

DHCD has been working diligently to preserve and produce affordable housing and economic development opportunities in the District. In FY 2008, we will remain committed to providing this service to District residents.

Chairman Barry, this concludes my testimony. My staff and I are available to answer any questions that you or members of the committee may have. Thank you.