

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Housing and Community Development



**Fiscal Year 2020-2021
Performance Oversight Hearing**

Testimony of
Polly Donaldson
Director

Before the
Committee on Housing and Executive Administration
Council of the District of Columbia
The Honorable Anita Bonds, Chairperson

Virtual Meeting Platform
1350 Pennsylvania Avenue, NW
Washington, DC 20004
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12:00 PM

Good afternoon, Chairperson Bonds, members, and staff of the Committee on Housing and Executive Administration. My name is Polly Donaldson and I am the Director of the Department of Housing and Community Development (“DHCD”). I am joined by Deputy Director for Operations, Drew Hubbard, and Deputy Director for Programs, Sheila Miller. I am pleased to appear before you to testify on behalf of the Department of Housing and Community Development on the agency’s performance in FY20 and FY21, to date.

It is DHCD’s mission to produce and preserve affordable housing for low- and moderate-income residents and revitalize underserved neighborhoods in the District of Columbia. Despite the COVID-19 pandemic and its unprecedented effects on our city and budget, DHCD has continued to make progress on its mission while also moving swiftly to help our neighbors, small businesses, nonprofits, and housing providers weather the storm and work towards recovery.

I would like to thank the residents and partners who testified last week, giving a face to the work we do every day. I would also like to thank you, Chairperson Bonds, the Committee, and the entire Council for your partnership as we continue to face the public health emergency and work together to shape the future of our city. Finally, I would like to thank my team at DHCD, without whom none of the vital work would get accomplished.

As I said at the budget oversight hearing last year, the decisions we would make then and every day after would determine how we would come back stronger as a more prosperous and equitable city. I am pleased to report that DHCD’s performance over the past year exemplifies our push to continue making progress on our equitable housing goals while also increasing opportunities for affordable homeownership, support for tenants, small businesses, and nonprofits while also rising to the challenge of the public health emergency.

HFEG and progress towards #36000by2025



Before discussing DHCD’s accomplishments of the past year, I want to remind the Committee of the ambitious goal Mayor Bowser set in 2019 of creating 36,000 new housing units by 2025, with 12,000 of them affordable. These goals were further embodied in the Housing Equity Report issued in Fall 2019 that described how these units should be spread across ten geographic planning areas of the District to ensure equitable housing opportunity. It is with this framework in mind that the District continues to make our investments in housing and, as recently announced, have delivered over 14,000 new housing units since January 2019, with over 2,000 as affordable.

I will give more detail on our investments in affordable housing shortly, but I do want to take a moment to also state that we will not be able to meet our goal simply through more capital investment. We need to deploy new tools and policies to support affordable housing production and preservation across the District and that is why I urge the Council to take action on the Mayor’s proposed amendments to the Comprehensive Plan as soon as possible.

HPTF Continues to Spur Housing Production and Preservation

As this Committee is aware, Mayor Bowser doubled down on the Housing Production Trust Fund (“HPTF”) budget when taking office in 2015 by funding it at no less than \$100 million a year. Since that time, DHCD has put \$695 million of HPTF dollars on the street, helping produce and preserve almost 7,200 units of affordable housing for low- and moderate- income residents.

In FY20 alone, DHCD closed on over \$104 million in HPTF financing for projects that will result in over 1,000 affordable units produced or preserved. These investments are vital to moving our affordable housing pipeline forward to create a more equitable city and, as I have said throughout the public health emergency, we continue to do everything we can to identify new sources, local and federal, to support that effort.

I would also like to note that there does continue to be the tension between how we fund projects to create equitable, mixed-income communities while working towards our statutory mandate. Since starting this job, we have worked hard to target our investments to the lower income bands and an overwhelming majority of trust fund dollars have increasingly gone to the 50% of Median Family Income



("MFI") band and below. The progress we have been able to make in targeting our investments to serve households below 30% of MFI has been a frustration. However, I believe by better coordinating our budgeting and expenditure of project based LRSP and provision of Permanent Supportive Housing services over the next few years, we can make dramatic progress toward finally having a system that can reliably deliver these units for our most vulnerable households.

I also want to restate our desire to work with you and the committee to reintroduce and pass Bill 23-0451, "Housing Production Trust Fund Income Targeting Accountability Act of 2019," which will enable you to better track the progress we are making.

Preserving Affordable Housing is also Part of 36kx2025

While our goal of 36,000 new housing units by 2025 includes 12,000 units to be affordable, I should also note that the goal includes the preservation of at least 6,000 existing affordable units. As Chairperson Bonds and Councilmember Silverman know from their involvement, this mirrors the goals of the Housing Preservation Strike Force to preserve our affordable housing stock and we continue to implement the recommendations of the Preservation Strike Force today. For example, the Housing Preservation Fund continues to leverage public dollars with private capital at a 3:1 ratio and such that we continue to have twin \$100 million funds in the Housing Production Trust Fund and Housing Preservation Fund to produce and preserve affordable housing.

While the public emergency did extend all deadlines for tenants to exercise their rights under the Tenant Opportunity to Purchase Act ("TOPA"), we did see the Preservation Fund close four deals in FY20 and it has closed two deals in FY21, to date. Five out of these six deals were TOPA transactions. We expect that as the public health emergency is lifted, more projects in the Preservation Fund pipeline will begin to move with renewed interest.

The Public Health Emergency has Tolled TOPA Timelines



As I mentioned earlier, TOPA timelines for tenants to exercise their rights were paused by the COVID-19 Response Emergency Amendment Act of 2020 to only resume running 30 days following the end of the public health emergency. This tolling of tenant deadlines has provided tenants with the flexibility to mitigate their risks and assess how to best assert their rights under TOPA without the added pressure of statutory timelines that may be unreasonable due to the current economic and public health conditions.

DHCD funded Community Based Organization (“CBO”) partners have continued to engage with tenants and provide technical assistance with the TOPA process through video conference meetings or in socially distant manners. Still, while some tenants are exercising their TOPA rights, we have seen the tolling cause a decline in TOPA filings as some housing providers have decided to wait to sell their properties, delaying much needed infusions of capital for repairs and upgrades. Recognizing that this could mean increased TOPA activity once timelines resume, we will work with our CBOs to have the necessary resources to help ensure tenants get the technical assistance and education they need and look forward to working with this Committee to support those efforts.

In the same vein, we look forward to continuing to work with the Committee to improve and pass the legislation needed to more effectively implement the District Opportunity to Purchase Act (“DOPA”). Given that DOPA is statutorily designed as a backstop and subordinate to TOPA, it puts the District in a disadvantageous position to close a transaction and it has become clear that DOPA must be strengthened to become a more effective affordable housing preservation tool in order to contribute to meeting our affordable housing needs. We began making these changes by introducing Bill 23-0136, the “District's Opportunity to Purchase Amendment Act of 2019.” Passing this bill would be a vital first step and we look forward to continuing the effort of reform for this vital program with the Committee this year.

I’d like to now turn to our focus to how DHCD helps individual residents and future homeowners every day.

Single Family Residential Rehabilitation Program Revamped



In FY20, the Single Family Residential Rehabilitation Program was completely revamped to shift its focus on roof repair and accessibility modifications, addressing the most urgent needs for applicants. A new solicitation process was created to bundle contracts together, making solicitations more appealing to more contractors with the goal of improving the quality and speed of execution. Additionally, the application process was fully revised and rewritten and a prioritization process was implemented to ensure critical projects get immediate assistance. These changes have helped make the program more nimble so we can more effectively and more quickly deliver repairs for our residents.

Inclusionary Zoning

DHCD also administers the District’s Inclusionary Zoning (“IZ”) program, which requires that developers of market rate housing provide affordable rental or ownership opportunities for low- and moderate-income households at or below 80 percent of MFI. These units are filled through a lottery process that gives households that live and work across the city equal access to affordable housing.

This program celebrated its tenth anniversary last year and has created 1,200 affordable homes in that time. In FY20 alone, the IZ program delivered 49 for-sale units and 186 rental units. The Office of Planning is leading efforts to expand inclusionary zoning in specific instances and we support their efforts.

Transforming Vacant and Blighted Properties

DHCD, through its Property Acquisition and Disposition Division (“PADD”), also plays a vital role in helping address vacant and blighted properties, working to put them back into productive use as affordable housing or neighborhood serving spaces. Despite reductions in the program budget in FY20, PADD continued to move projects forward including several turn key projects, auction sales, and projects in partnership with the DC Housing Financing Agency’s Housing Investment Platform.

Homeownership



In addition to financing the acquisition, production, and preservation of affordable owner-occupied housing and supporting our CBOs in counseling District residents, DHCD also uses its funds to assist hundreds more families in financing their first owned home each year. In FY20, our Home Purchase Assistance Program (“HPAP”) assisted more than 360 households in purchasing their first home. Due to historically low interest rates, we also saw very large demand for subordinations of HPAP and EAHP loans to allow our borrowers to save money by refinancing their primary mortgages.

Through creating new homes for sale and administering these programs to help District families become homeowners, we continue to pursue our goal to make homeownership an affordable and viable option for more of our residents each year.

Community Development

I have spent most of my time today discussing our efforts around affordable housing. But I must also mention that through our Neighborhood Based Activities programs, we use federal Community Development Block Grant (“CDBG”) funds to support Small Business Technical Assistance (“SBTA”) through our CBOs who, in turn, offer technical assistance to small business owners. These CBOs offer a listening ear for our residents’ concerns, questions, and aspirations for a better future for themselves and for their small businesses. They also help connect the small businesses to valuable city and other resources. We also assist with façade improvements for those with brick and mortar locations along our city’s commercial corridors.

DHCD also uses its CDBG to support CBOs to educate tenants across the District regarding their rights and providing them with technical assistance throughout the TOPA process. This helps ensure tenants can exercise their rights if they decide to and to access the necessary resources to do this effectively. Never has this been more important than during the public health emergency and I’ll touch on this later in my testimony.

Housing Regulation Administration



I now want to turn to the regulatory functions of DHCD. The Rental Housing Administration (HRA) administers many of the elements in the regulation of the city's rental housing market including the registration of rental properties and rents under the District's rent stabilization regime. In early 2021, DHCD was happy to announce that rent control records are now available for public search on our website. This is an incredible accomplishment and I applaud the dedication of my team for getting this done. The HRA also administers the conversion of rental properties to condominiums and co-ops and we continue to improve how this process works. As we have had much dialogue on the subject in the past, we hope to continue working with the Committee in the coming months to pass legislation that will clarify and improve the condominium warranty claims process in particular.

Now, while I am proud of DHCD's FY20 accomplishments, I am even more proud of how we were able to band together to stand up a number of COVID-relief programs and continue to work with our sister agencies to get much needed support out to our tenants, housing providers, nonprofits, and small businesses.

Swift Action Was Needed to Help Our Residents

As the pandemic caused thousands of District residents to lose their jobs, we knew all sides of the housing equation - from the tenant's ability to pay rent and the housing provider's ability to make repairs to the nonprofits providing vital education and technical assistance to tenants and our small businesses providing for their communities - would need serious intervention. I will briefly describe some of the different programs we implemented to help in these trying economic and difficult times.

- We used \$1.5 million of existing federal HOME funds to quickly implement a Tenant Based Rental Assistance program that helped pay rent for 450 households at or below 60% of MFI.
- We used \$6.2 million of federal CARES Act CDBG funds to create the COVID-19 Housing Assistance Program ("CHAP") offering rent assistance to tenants at or below 80% of MFI and have recently expanded this program to allow housing providers to begin the application for assistance on their tenant's behalf.
- Partnering with the DC Housing Finance Agency, we used over \$11 million in CARES Act funds to administer the Housing Stabilization Grant ("HSG")



program that paid rent arrears on behalf of tenants to housing providers in the District's portfolio of affordable housing project and also small housing providers outside the District's portfolio with 20 units or less.

- We used \$2 million of CARES Act funds to support our housing and community development non profit organizations who have been our front-line workers helping residents throughout the public health emergency get what they need to stay safe and in their homes.
- Recognizing small businesses are the backbone of communities, we used \$1.5 million of existing CDBG to support the DC Small Business Recovery Microgrant program implemented by the Office of the Deputy Mayor for Planning and Economic Development ("DMPED") with a focus on helping provide short-term working capital for small businesses in Wards 7 and 8.

With the passage of the federal relief bill in December and another just last week, the District has a real opportunity to position itself to build back better through recovery. Through the Mayor's "Saving DC's Rental Housing Market Strike Force," we are not just looking at immediate support for tenants, but also at how we help sustain and grow our rental housing market in a more equitable and inclusive DC.

Federal Support is Key to Our Affordable Housing Goals and Recovery

As I mentioned many times over the past year, any chance we have of hitting our affordable housing goals and creating a more equitable DC lie with real support from the federal government. When we saw the over \$700 million gap in the District's budget a year ago, we knew we had to work even harder to discover more ways to keep our affordable housing pipeline moving. I am happy to announce that those efforts resulted in approval from the US Department of Housing and Urban Development ("HUD") of a \$38.8 million Section 108 loan guarantee fund that will preserve hundreds of affordable units. We also saw positive federal action when they set a permanent floor to the 4% Low Income Housing Tax Credit that means projects can generate more equity and our gap financing dollars like the Housing Production Trust Fund can stretch much further. Positive news from the Hill last week means the District should see its fair share of relief funds and we anticipate using every dollar we can to keep pushing towards our 36k goals that make housing a key to the District's economic recovery.



With that, I would like to thank the Mayor for her leadership and the Committee for your support. We appreciate the opportunity to share our accomplishments, our plans for recovery, and look forward to continuing to work with the Committee to achieve them.

Thank you and I am available to answer any questions you may have.

