

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



**Fiscal Year 2021-2022 Performance Oversight Hearing**

Testimony of

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Interim Director

Before the

Committee on Housing and Executive Administration

Council of the District of Columbia

The Honorable Anita Bonds, Chairperson

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9:00AM

Good afternoon, Chairperson Bonds, members, and staff of the Committee on Housing and Executive Administration. My name is Drew Hubbard and I am the interim Director of the Department of Housing and Community Development (“DHCD”). I am joined by Beth Spooner, the Agency’s Fiscal Officer.

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 FY21 and FY22, 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. The importance of this mission has been brought into stark relief by the COVID-19 pandemic and its unprecedented effects on our city and budget.

Despite these challenges, I am pleased to report that over the past year, DHCD has continued to push toward our equitable housing goals while also increasing affordable homeownership, support for tenants, small businesses, and nonprofits. And for another year we have risen to the challenge of the public health emergency.

Before I present some of the agency’s activities and accomplishments in the past year, I want to take a moment to thank the residents and our partners who testified before this Committee a few weeks ago. You are the reason we do this work; your feedback is immensely important to me and the staff at DHCD.

I would also like to thank you, Chairperson Bonds, the Committee, and the entire Council for your partnership. Despite unprecedented challenges, we have worked together to protect and assist the residents of the District of Columbia with new programs and legislation to make this a more equitable city.

### **#36000by2025**

Before discussing DHCD’s accomplishments of the past year, I want to discuss the ambitious goal Mayor Bowser set in 2019 of creating 36,000 new housing units by 2025, with 12,000 of them affordable.

Unprecedented investments in the Housing Production Trust Fund (HPTF) in recent years, over \$1 billion since Mayor Bowser took office, and more to come, are the centerpiece of this effort to provide good, affordable homes for District residents



across all eight Wards.

But the Trust Fund cannot do it alone. And, along with creating new affordable housing, if we are to reach our affordable housing goal by 2025, we must also keep as much of our existing affordable housing as possible.

DHCD and the other District housing agencies are being asked to design and implement innovative policies and programs that complement this effort to create a net increase of 12,000 units of affordable housing in an equitable way across 10 planning areas. Just this Tuesday, we released the application for a tax abatement targeting the four planning areas that have the highest need for affordable housing units to meet their goals.

It is with these goals in mind that I begin my testimony regarding DHCD's work in FY21 and FY22 to-date, creating and preserving affordable housing but also the myriad other ways that DHCD programs assist District residents.

### **HPTF Continues to Spur Housing Production and Preservation**

Since taking office in 2015, Mayor Bowser has been committed to funding the Housing Production Trust Fund ("HPTF") at no less than \$100 million a year. DHCD has met that commitment by getting these funds out and into projects that have produced and preserved almost 8,000 units of affordable housing for low- and moderate- income residents. In FY21 alone, DHCD closed on over \$109 million in HPTF and similar gap financing for projects that will result in over 1000 affordable units produced or preserved.

But this is not just a numbers and dollars game. Along with creating more affordable housing, we are also working to better target our resources.

In the 2021 Consolidated Request for Proposals, we created an application window for projects that met our priorities, housing for extremely low-income households, location in areas of the city that have the greatest need for affordable housing pursuant to our planning goals, and creating vibrant mixed income communities across the city.

This intentional approach allowed us to select for further underwriting the first Trust Fund project in Ward 3 earlier this month.

But beyond that, this approach has provided an opportunity for DHCD staff to use the District's unprecedented resources to push projects selected in this first-priority



round to exceed the number of units they proposed for extremely low-income households or those earning 30% of the Median Family Income (“MFI”). In fact, we are working with selected applicants to increase the number of 30% MFI units in this cohort such that half of the HPTF-funded units produced and preserved will be for extremely low-income households.

A second application window for the RFP closed just this Tuesday. We are excited by the opportunity to add even more projects to our affordable housing pipeline.

### **Partnerships To Preserve Affordable Housing**

The Housing Production Trust Fund and the District’s other federal and local financing resources included in the Consolidated RFP preserve affordable housing for 40 years or more.

Applying for the funds is an involved process and selection occurs on a schedule. Since real estate transactions cannot always wait on the next round of the RFP, the District has partnered with three private community development financial institutions to move more quickly to acquire and prepare properties for long term affordable housing preservation.

The Housing Preservation Fund leverages public dollars with private capital at a 3:1 ratio and has preserved 1,539 affordable units, a third affordable to extremely low-income households and three-quarters affordable to those below 50% of MFI.

While the public emergency legislation has provided tenants more time to exercise their rights under the Tenant Opportunity to Purchase Act (“TOPA”), we recently have seen an increase in interest in the Preservation Fund. To-date in FY22 the preservation fund has already closed on three loans, preserving 216 affordable units and the tenants have exercised their TOPA rights in two of these cases. There are many more exciting opportunities that our fund managers have let us know are coming.

Funding for real estate transactions is not all that is needed to preserve affordable housing. Affordable housing preservation is about the people that live in the housing today. Throughout the pandemic, DHCD funded Community Based Organization (“CBO”) partners have continued to engage with tenants and provide technical assistance with the TOPA process, sometimes through video conference meetings or meetings in parking lots and parks. 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.

While transactions and TOPA organizing to preserve affordable housing receive a lot of attention, sometimes the best way to preserve affordable housing is simply to support the current owners in maintaining their properties.

The Small Buildings Program at DHCD is now up and running, helping limited equity cooperatives and moderate-income individual small property owners make needed repairs such as replacing roofs, fixing walkways, adding fire protection, and installing security doors. The latest project the program completed is at 801 P Street, NW, in the heart of Shaw. This long-time affordable co-op will continue providing 16 affordable homes in one of the city's most vibrant neighborhoods.

Sticking with preservation for a moment, I want to conclude this discussion by thanking the Committee for their successful efforts to negotiate and pass the bill we introduced called the District's Opportunity to Purchase Amendment Act.

The District Opportunity to Purchase Act, or DOPA, allows the Mayor to serve as a backstop, preserving valuable affordable housing opportunities when tenants and the affordable housing community are unable to do so.

After implementing the law for the first time in 2018, the District's Preservation Officer and DHCD staff identified improvements that would make the legislation more effective. Thanks to your partnership, these concerns have been addressed and we look forward to restarting our DOPA activities in this fiscal year.

### **DHCD is More than a Financial Institution**

DHCD's efforts to assist District Residents are not limited to its role assisting affordable housing developers and owners. DHCD also assists individual residents every day.

### **Single-Family Residential Rehabilitation Program**

The Single-Family Residential Rehabilitation Program (SFRRP) provides roof repair and accessibility modifications to low-income homeowners in the District.

This is a very popular program and in 2019, my predecessor, Polly Donaldson, came before you to announce changes to the program that once fully implemented,



would improve the quality of the work and the speed of execution.<sup>1</sup>

Then COVID hit.

While the program continued to accept applications, work slowed and the number of households waiting for assistance continued to grow, first as in-person inspections and meetings were halted and then as the COVID-related home improvement boom made the contracting environment challenging.

I am pleased to announce that we have adjusted the program again to meet these new realities. Through further changes to our contracting process and innovations such as implementing virtual walkthroughs for contractors to bid and establishing a small repairs program, we once again see a bright future for the program.

I expect 10 legacy projects will be under construction beginning next week, two are currently under construction, and 37 new projects are in the final stages of contracting.

With the application process working well and the contracting process improving, my focus now is on the most important step, getting homes repaired and repaired well. That will be the best measure of our success.

### **Inclusionary Zoning**

DHCD also administers the District’s Inclusionary Zoning (“IZ”) program, which requires that developers of market rate housing with more than ten units provide affordable rental or ownership opportunities for low- and moderate-income households within their developments. The IZ program uses a lottery to match the new homes to applicants, which gives households that live and work across the city a fair shot at finding affordable housing within the program.

The IZ program continues to go from success to success in this strong real estate market. In FY 21, the IZ program delivered 77 for-sale units and 295 rental units, a more than 50% increase from the year before. The Office of Planning is leading efforts to expand inclusionary zoning in specific instances and we support their efforts.

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<sup>1</sup> Public Roundtable on the Single-Family Residential Rehabilitation Program, Testimony of Polly Donaldson, before the Council of the District of Columbia, Committee on Housing and Neighborhood Revitalization The Honorable Anita Bonds, Chairperson, October 4, 2019.



## **Creating 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 FY21, our Home Purchase Assistance Program (“HPAP”) assisted almost 350 households in purchasing their first home. The District’s EAHP program also had a banner year, helping 168 District Government employees purchase a home in the city they serve, a record for the program.

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.

## **Sustaining Homeownership**

Through creating new homes for sale through the IZ and HPTF programs, providing pre-purchase counseling through our CBOs, and helping residents finance a first home purchase through HPAP and EAHP, DHCD continues to make homeownership an affordable and viable option for more of our residents each year.

But we also know that along with the rewards of homeownership there are risks. Not least of these are events like COVID-19, which can put homeowners behind on their payments through no fault of their own,

This year, along with recognizing the long-time work of our CBO housing counselors providing post-purchase counseling, I also want to highlight the department’s successful launch of a pilot program to provide financial resources and counseling to condominium owners and occupants in Ward 7 and 8 to avoid foreclosure.

The pilot program is funded with federal Homeowner Assistance Fund (HAF) assistance and over 100 eligible households have completed the application and are being assisted with their mortgages, condominium fees, property taxes, insurance, and other costs of homeownership.

In January, the Treasury Department approved the District’s full HAF plan.

I am excited to be able to build on what we have learned helping District condominium



owners during the HAF-Pilot to deploy the full \$50 million in HAF to assist all low- and moderate-income homeowners who are struggling to catch up with the costs of staying in their homes, across every neighborhood of our city.

### **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.

### **Housing Regulation Administration**

I now want to turn to the regulatory functions of DHCD. The Housing Regulation 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. The HRA has continued to administer these functions throughout the public health emergency, serving tenants and housing providers alike and, as we announced last year, making rent control records available for public search on our website bringing more transparency and better service to their patrons.

The major accomplishment of FY21, however, was that the HRA worked with the Rental Housing Commission in its effort to update the Rental Housing Act of 1985 (DC Law 6-10 as amended, DC Official Code § 42-3501.01 et seq.). Once these updated regulations were published as final, the HRA worked with the Rental Housing Commission to inform housing providers and tenants of the changes, update its forms and implement the new regulations.





The HRA also administers the conversion of rental properties to condominiums and housing cooperatives, 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, we are interested in making certain that no new condominium units can be sold until a warranty bond is posted with our agency.

### **New Tools for Affordable Housing**

I would like to close by mentioning some newer tools we have been designing to help meet our housing goals. The tax abatement for affordable housing in high needs areas will help create affordable housing in areas like Rock Creek West that we know need much more investment to meet their affordable housing goals. We are also working with our sister agencies like the Department of Human Services to explore the use of federal relief funds for acquisition of properties that could be converted to serve targeted populations. Recognizing that we need to push on all fronts, we have created a program to support faith-based institutions with assessing opportunities to use their land to build housing. Another program will be looking for partners to help create accessory units to single family homes across the city.

### **Conclusion**

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.

It has been a challenging but also a strong year for DHCD.

I would like to thank the Mayor for her leadership. I would also like to thank my predecessor, Polly Donaldson. She left behind a strong foundation on which we can build. And most of all I would like to thank the staff of DHCD on whom all the accomplishments I have mentioned depend.

Thank you.

I am available to answer any questions you may have.

