

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Department of Housing and Community Development



Testimony of

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on the matter of

B24-0802 – Green New Deal for Housing Amendment Act of 2022

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Before the

Committee on Housing and Executive Administration

Council of the District of Columbia

The Honorable Anita Bonds, Chairperson

Virtual Hearing via Zoom

11:00 AM

Good afternoon, Chairwoman Bonds and members of the committee. I am Drew Hubbard, Interim Director of the Department of Housing and Community Development (DHCD). DHCD's mission is to produce and preserve affordable housing for low-and-moderate-income residents and revitalize underserved neighborhoods in the District of Columbia.

I would like to begin my testimony today by thanking you for inviting me to testify on bill 24-802, the Green New Deal for Housing Amendment Act of 2022 on behalf of Mayor Bowser. As you know, my team and I have been working tirelessly towards our goals of creating 36,000 new housing units, of which 12,000 must be affordable, by 2025. As I will describe in my testimony, these efforts have incorporated many of the tenets of this bill. We know safe, affordable, sustainable housing is central to DC's comeback.

Every month, virtually, and at least once a year in-person, I meet with the housing directors and commissioners of other high-cost cities - New York, San Francisco, Los Angeles, Seattle, Chicago, Boston, Denver, and Miami.

When we meet, we discuss our programs and policies and share best practices. Of course, we also discuss difficult lessons learned, our budgets, and hot topics among our residents, stakeholders, advocates, and elected leaders.

Due to Mayor Bower's historic investments in housing in our city, I always perceive a little envy on the part of my fellow housing department leaders when I discuss the broad support we receive from you, the Council, and the public for our affordable housing mission. They also envy the responsiveness, innovation, and breadth of our affordable housing programs.

As you know, the progress we have made in affordable housing is due in large part to the engagement of our stakeholders and their consistent demand that we do better in all kinds of ways, from building and preserving affordable housing to growing and sustaining homeownership; from boosting resident empowerment to delivering financial efficiency and fiscal transparency.

In this tradition, the bill we are discussing today is a clear call by some in the community for the District of Columbia to do better.

- Better at creating economically viable mixed-income and mixed-use communities,
- Better at leveraging District-owned land, and land value generally, in creating these communities,
- Better at providing opportunities for resident engagement and leadership, and
- Better at integrating climate resilience, energy efficiency, and healthy housing standards into our affordable homes.

At DHCD, we are aware of these imperatives. We share these goals and are working toward them every day. And we are very interested in discussing with you and our residents how we can better achieve them together.

At the same time, we cannot support this bill as it stands today. While serving as a succinct summary of the goals of social housing advocates in the District, it falls short in too many practical ways to achieve useful progress in meeting those goals.

The primary premise of this bill is that the District should establish a new office reporting to the Mayor, to create “social housing” using District land and a variety of funding sources including federal and local grants such as from the Housing Production Trust Fund and Green Finance Authority, and enterprise bond proceeds for additional land and capital funding.

When it comes down to it, the actual resources contemplated by the bill are already active in the District today. The idea is that by 1) using District-owned land, 2) limiting opportunities for private profit and 3) setting rent levels so that some residents “cross subsidize” affordable rents for others, the new housing projects will be able to cover their ongoing expenses and become the self-sustaining mixed-income, mixed-use housing that has generally eluded affordable housing providers in the past.

The approach may seem quite reasonable, but we must recognize similar assumptions underlaid the development of the Public Housing program in the 1930s, where it was also assumed that cross-subsidizing rents and providing public land and construction funding would be sufficient to keep rents modest for the working class in perpetuity.

Even in its early years, however, it became clear that these assumptions were flawed. In many public housing projects, rents set to assure quality building operations eventually far exceeded what low-income households could pay. Many properties had trouble charging higher rents to cross-subsidize affordable units due to competition from other housing. Then as now, when provided with choices, few households can be expected to pay above market rents even if the purpose is to support their less well-off neighbors. These projects quickly fell into disrepair and bore the markings of countless cost-compromises.

Because Public Housing was struggling to meet its public purpose and maintain and manage its properties adequately at the same time, there were increasing calls for public assistance to help the properties.

Ultimately, the "Brooke Amendment" to the Housing and Urban Development Act of 1969, which was introduced by Senator Edward Brooke III in response to a tenant-led rent strike in St. Louis, set rents at 25% of a resident household's income and provided government operating assistance to Public Housing. This assistance was intended to make up the difference between the lower rents residents could pay and what it cost to operate the housing. At that moment, Public Housing as we know it today was born.

The Brooke Amendment made Public Housing both more financially stable and more affordable. Yet federal support has often been less than actual expenses, and the deferred maintenance continues to compound. The public housing system nationally is still plagued by a lack of sufficient operating and capital assistance and a myriad of other difficulties.

My purpose in reminding you of this history is not to revile Public Housing or denigrate continuing efforts to improve it. Quite the opposite.

Despite all its difficulties, Public Housing remains an important and valued source of affordable housing for thousands of District residents. Its persistence, despite long periods of federal disinvestment and inconsistent policy, is a testament to the valuable contribution it can make providing necessary affordable housing.

My message, therefore, is that we should not ignore the lessons of this history in assessing the bill before you. The bill presents “cross-subsidization” as a simple and “revenue neutral” solution, but history and experience tell us it will not stay that way.

Beyond the ongoing and escalating costs of operating and maintaining the properties, the bonds contemplated by the bill must be repaid by project rents, further limiting what can be achieved with cross-subsidization. If the bonds are to be paid and the properties are to be maintained while the properties continue to serve a significant number of low-income households, operating and capital subsidies will be needed. But no new sources are contemplated by the bill.

When it comes to financing and operating residential properties, the only major difference between the early public housing model and the bill before you is a requirement that the Office of Social Housing hire private management firms for its projects and that they allow for mixed use, commercial space at those projects.

In fact, the model in the bill is in most ways very similar to today’s public housing. Public Housing Authorities can and do use private property managers, including resident-organized management corporations. Public housing is also required to have resident representation on PHA boards of commissioners, resident advisory boards and resident organizing and participation structures reminiscent of the “tenant leadership boards” proposed in this bill. Public housing authorities may also issue bonds, which are secured by future federal payments of capital funds and do not reduce the amount of tenant rents available for property operations. And, since the 1990s, there has been a renewed effort to encourage mixed-income Public Housing communities both for greater cross-subsidization and expected social benefits.

Thus, it is not clear how the tools and requirements included in the bill we are discussing today would be sufficiently different to make social housing any more self-sustaining than early Public Housing or even Public Housing today.

Many advocates for social housing will say the comparison to Public Housing is unfair. They will point to what they perceive as more positive experiences with social housing in other countries such as Finland, Austria or Singapore.

But here again, while there may be lessons in these more positive international experiences, the bill before you does not reflect any such learning nor does it address the differences in social safety nets, tax policies, mortgage lending, and approach to long-term asset management, to name but a few things, that underlie this apparent success abroad.

Indeed, after reading this bill, the question remains, what needs to be different in the U.S. and specifically the District, to support the financial stability and success of this model - whether we call it public housing or social housing?

And therefore, we should recognize it is this very question that we are asking as we face the immediate challenges of the District's existing public housing today. Creating a new organization and social housing stock to compete for the same resources, may leave the existing stock and its residents in greater need. The bill before you does not address these practical trade-offs and the issues of equity that they raise.

Once we recognize the limitations of the central premise of the bill, the rest of the bill proves rather redundant: It is perhaps different in some of the specifics but not very far in substance from our current ways of building and preserving affordable housing.

For example, the new Office of Social Housing would have to construct housing to high environmental standards. Affordable housing developments assisted by DHCD already follow some of the strictest environmental and climate resiliency standards in the nation and proposals receive additional points in our Consolidated Request for Proposals (RFP) for exceeding these standards. The same can be said for the labor standards and local small business utilization that the bill requires.

There are also important omissions and inconsistencies. For example, the bill explicitly states that the new housing office will leverage existing federal and local grants, including the Housing Production Trust Fund, to develop its housing. It is unclear that the requirements and different standards in this bill will align and not conflict with these other programs and why a separate office is necessary if it will primarily rely on DHCD funding for development.

In a similar vein, is it anticipated that there will ever be an opportunity for the District to sell or raze the property? Under what circumstances would this be allowed and relatedly, will there be an opportunity for the tenants to purchase the property from the District? Or are these properties to be exempt from TOPA as Public Housing is today?

Such oversights and unresolved issues are to be expected in a first effort to codify such an ambitious idea, but it further suggests that the current bill is more of a statement of intentions than a practical roadmap for creating social housing. There are a lot of questions that would need to be answered in order for some new form of social housing to fit into the District's existing housing system in a positive way.

And at the same time, I ask you to recognize the significant progress we have been making across the District to achieve many of the same goals motivating this bill. For instance, we at DHCD have been working hand in hand with DOEE to increase the minimum green building requirements for affordable housing developments. The changes made to the 2021 Qualified Allocation Plan and Consolidated RFP, for example, make DC's green building threshold requirements the most stringent in the nation.

We have also worked with DOEE to incorporate additional incentives for delivering housing with increased energy performance standards that go beyond the already stringent minimum requirements. For example, by including sustainability preferences for electrification in our last Consolidated RFP, we are going to build our first fully electrified multifamily building (including backup batteries) and deliver one of the first communal heat pump water heaters on the East Coast.

Additionally, I have directed my team to think through new approaches to finance affordable housing and stretch our limited resources even further through possible ground lease structures that could enable the conversion of privately owned land to new District assets while ensuring long-term affordability. We are at the forefront of innovative housing solutions and we remain excited to engage in a discussion about what “a green new deal for housing” could really look like in the District of Columbia.

We will also continue our own efforts to create diverse communities that limit the displacement of our low-income residents and provide opportunities for resident ownership, growth, and leadership.

We will do this while furthering climate resiliency, energy efficiency, and environmental health of our communities by creating more affordable housing, investing in energy efficient infrastructure, and developing policies to protect residents from displacement.

In closing, at the most recent High-Cost Cities Housing Forum, all the local housing department leaders said they were facing similar calls for “social housing.” As we went around the room, however, in every single city the definition of social housing being used by advocates appeared to be different. Interestingly, in many cities, enacting social housing meant policies such as a tenant opportunity to purchase, limited equity cooperatives, and community land trusts, all tools we have significant experience within the District.

Clearly, the idea of social housing, as a new way to meet old challenges, is a powerful motivator across the country, but we have work to do to understand what it means as practical policy in the District of Columbia. This bill may be a good starting point for this discussion, but it can only be a starting point. It raises important questions but lacks the necessary detail and insight to answer them. This bill would have us create a new department to re-learn old lessons, but nothing in it helps us break new ground or bring new and different resources to bear.

In the District we have valuable experience not only with the successes and failures of existing programs but also with what it takes to turn a fresh idea into a functional policy. My team and I pledge to continue working with you on these ideas in the new council session. This concludes my testimony and I would welcome any questions you may have at this time.