

## **Housing Production Trust Fund Principles**

**T**he affordable housing crisis in the District of Columbia is growing more serious by the day, as the gap between wages and housing costs continues to grow, condo conversions are on the rise, and redevelopment proposals are being discussed that could result in massive displacement.

Residents of the District of Columbia have named the lack of affordable housing as one of their top concerns. The Housing Production Trust Fund is the major source of funding available to produce and preserve affordable housing in the city, particularly given the cuts in federal funding for housing. It is vital, therefore, that elected officials support the Fund, not just by fully funding it, but also by committing to making it work more effectively and efficiently.

### **1. Follow the Law**

- annually fund the Trust Fund at not less than 15 percent of the real estate recordation and transfer tax
- use the Fund only for the production and preservation of affordable housing, in compliance with all targeting and length of affordability requirements
- report to the public fully on Fund performance

### **2. Put the Money to Work Faster**

- publicize the availability of the Fund and make the application process more transparent through education and outreach
- streamline the application, underwriting and disbursement processes
- improve coordination among city agencies involved in the project approval process
- request proposals at least twice a year
- be creative and flexible to fund projects for the lowest incomes

### **3. Protect Residents from Displacement**

- involve residents from the beginning in all phases of planning
- provide residents with technical assistance to help them understand and exercise their rights and responsibilities
- minimize relocation and avoid displacement
- ensure at least one-for-one replacement in size and (income targeting) of affordable units
- retain any federal subsidies tied to the project

### **4. Respond to the Growing Need**

- devote sufficient funding to tenant purchase and special needs projects
- use the Fund to acquire land and buildings for affordable housing
- use the Fund to encourage housing code compliance and preservation

# Housing Production Trust Fund

## The Facts . . .

### What is a housing trust fund?

Housing trust funds are discrete programs established to receive public and private revenues that must be spent on affordable housing. Housing trust funds are unique because they receive on-going revenues generated by dedicated funding sources, such as taxes, fees or loan repayments, often real estate-related. Over 280 housing trust funds are administered by cities, counties and states throughout the country. Housing trust funds provide an effective and efficient way to fund affordable housing; typically, for every \$1 committed to a housing project by a trust fund, another \$5-\$10 is leveraged through other public and private sources.

The District's Trust Fund was created in 1989, but never received a dedicated source of revenue until 2002, when the Mayor and City Council passed the Housing Act of 2002, which dedicates **15% of deed recordation and transfer tax revenues** to the Housing Production Trust Fund. This funding stream ensures a consistent pool of money for affordable housing projects. **In FY 2006, this revenue stream is expected to generate \$50.3 million for the Housing Production Trust Fund.**

### Why is the District's Housing Production Trust Fund needed?

DC's Housing Production Trust Fund is targeted to serve DC residents who **need help the most**. At least 40% of all funds must be used to serve households with incomes below 30% of the area median income (AMI) – \$25,620 for a family of four. At least 40% of funds must be used to serve households with incomes between 30% and 50% of AMI – up to \$42,700 for a family of four. The remaining 20% of funds may be used to serve families with incomes up to 80% of AMI – \$68,320 for a family of four. In addition, at least half of all Trust Fund funds must be used to produce or preserve rental housing.

**The District's affordable housing needs are large, and growing;** the city has lost low-cost apartments, while new units are priced out of reach of most DC workers, and increases in housing costs outpace wages. 37% of DC households pay more than 30% of their income on housing. Housing burdens are most severe for lowest income residents, with almost 60% of families earning less than 30% of AMI paying more than 50% of their income on housing. (See left table for average salaries of DC workers.)

**The Trust Fund is designed to meet these needs** by producing new units for rent and homeownership, preserving affordable housing in gentrifying neighborhoods, and creating permanent housing opportunities for homeless residents and supportive housing for residents who are elderly or have special needs.

### How does the Trust Fund help solve the affordable housing crisis?

Over \$21 million in Trust Fund funds from fiscal year 2003 has been dedicated to 16 projects. Almost \$28 million will be dedicated to another 12 projects for fiscal year 2004. These grants and loans will support more than 2800 units of affordable housing in six wards across the city. The projects will produce new affordable units for both rental and homeownership; preserve affordable housing in gentrifying neighborhoods; create single room occupancy complexes for formerly homeless residents; and fund permanent supportive housing for the District's elderly and special needs residents.

Occupation	Average Annual Salary*
Janitors and Cleaners	20,900
Maids and Housekeeping	23,810
Restaurant Cooks	23,940
Food Prep Workers	21,030
Parking Lot Attendants	19,130
Registered Nurses	20,090
Occupational Therapists	31,560
Home Health Aides	19,810
Pre-school Teachers	25,690
Child Care Workers	18,470
Receptionists and Information Clerks	27,710
Construction Laborers	27,970
Carpenters	43,350
Painters	39,920

\*From November 2003 State Occupational Employment and Wage Estimates for DC, Bureau of Labor Statistics, U.S. Dept of Labor

### If the Housing Production Trust Fund is designed to receive a steady stream of funding, why do affordable housing advocates have to fight for it each year?

First, the Mayor has tried to cut funding for the Housing Production Trust Fund for the last three years. These attempts undermine the basic purpose of establishing the Trust Fund – to provide a consistent stream of funding that would not be jeopardized by yearly budget battles. The Trust Fund has been fully funded **only** because affordable housing advocates and strong supporters on the City Council fought for it.

We also have to ensure that the money put into the fund is used to create housing for DC residents. The District's Trust Fund is administered by the D.C. Department of Housing and Community Development, and overseen by the Housing Production Trust Fund Advisory Board, a nine-member body of residents, developers, advocates and financiers appointed by the Mayor. DHCD distributes funds through a regular, competitive application process, and as needed to support tenant-purchase projects.

DHCD needs to ensure that the application process is **transparent**, so organizations that produce and preserve affordable housing -- including for-profit and non-profit developers, tenants associations, churches and others -- know that funds are available and understand how to apply for them, and **swift**, so that the funds are put to real use producing and preserving affordable housing.