Pursuing Equity and Inclusion through Affordable Housing  
*The District Budget & Reopening DC*

**OVERVIEW**

As our city navigates the complicated process of reopening, it’s critical we support those most impacted by this devastating pandemic.

COVID-19 has infected over 8,334 District residents and killed more than 440. People of color are bearing a highly disproportionate share of the death toll. 78% of those who have succumbed to the disease are African American while an additional 11% are Latinx. This tragedy exposes decades of structural discrimination resulting in wealth and income gaps that impact every aspect of life and especially health.

We applaud the Mayor’s focus on creating a more equitable city through the recovery period. Few factors affect health and prosperity more than where you live. To promote equity and inclusion now, we must invest heavily in new housing – rental, as well as cooperative and single family home ownership – that is accessible to residents at the lowest end of the income spectrum in every ward of the District.

Mayor Bowser has demonstrated visionary leadership on this issue, making it a cornerstone of her first two terms. Before the pandemic erupted, the District was on its way to an unparalleled commitment to produce 36,000 new units of housing by 2025, including 12,000 affordable housing units that would serve the heroes of the present crisis.

This unprecedented commitment to affordable housing from the Mayor and the DC Council, alongside DHCD’s improved RFP and underwriting process, has created a robust pipeline of shovel ready affordable housing projects. If we don’t proactively find ways to sustain the pipeline it took years to build, the recovery will be lopsided towards luxury condos.

Even while facing budget pressures that were unimaginable just a few months ago, fortunately, with the will, the District still has the resources to reach this remarkable goal and enable our essential workers to live in the communities they kept running during the worst of the crises.

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ANALYSIS OF THE PIPELINE

The proposed $100M investment in the Housing Production Trust Fund must be seen as a crucial floor that cannot be reduced.

- There are ~11 projects totaling 700 units that have already been selected in prior year RFP rounds, awaiting FY 2021 funding to proceed to closing.
- At an average investment of $110,000 per unit, $80+ million will be needed to complete these projects alone.
- After administrative costs are subtracted, there will be virtually no HPTF funding for new projects.
- These 11 projects have already been selected for funding. Reduction below the $100M level would stall these projects, and essentially renege on prior commitments.

While the $100M is a critical minimum level of investment, it won’t go far enough to sustain the pipeline.

- In the 2019 RFP cycle, ~32 projects passed threshold scoring, indicating eligibility for HPTF investment.
- That’s likely ~3,000 additional units and more than $300 million in total gap subsidy needed!
- At $100M in HPTF funding, there will be no money available for these projects.
- In response to historic affordable housing investment, there are another cohort of eligible projects waiting for a next RFP cycle to open – that would have no HPTF available.

If additional funds cannot be found prior to FY 2022 budget cycle, the majority of these 30+ projects will become at risk quickly, as cumulative carrying costs and expiring bridge financing could become unmanageable. Many projects could very easily be lost to the market.

RECOMMENDATIONS

There are ways to identify $200-300 million in additional capital for projects that are virtually shovel ready.

- Federal stimulus funds represent the best possible solution.

If federal stimulus support does not materialize in sufficient amount, there are at least two proven ways to deliver additional resources for affordable housing production now:

- Create an “Equity First” bond pool. There are various ways we could take advantage of historically low interest rates and generated bond proceeds to make a one-time investment in the HPTF. One approach is to use ~$15M in annual HPTF dedicated revenue to securitize ~$300

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2 For ease of reference, we are naming the RFP cycle by the calendar year in which it opened
million in bond proceeds to invest in projects. The primary benefit of this structure is that it would use existing tax revenue from the deed and recordation tax that is already pledged to the HPTF, so it does not require new revenue. The downside is that it would count against the District’s statutory debt ceiling, which is already near maximum.

- **Create a state based DC Low-Income Housing Tax Credit.** Following several other states that have recently created such programs, the state credit “piggybacks” on the federal credit and adds deeper subsidy to projects already deemed eligible for such investment. This approach does not affect the debt ceiling, although it would forgo future tax revenue in an amount equal to the credits issued.

If significant new capital is not identified above and beyond the $100M floor, the city will need to take creative measures to safeguard the projects already in the development pipeline. In response to the District’s bold 2025 goals, many developers have multiple projects under development currently and delays to funding selection put the projects at risk. Each unit lost to the market is another low-income household at risk.

**THE CITY CAN ASSIST BY:**

- Making conditional awards to all qualifying projects at one time, signaling bridge-financing parties that the project will go forward as soon as sufficient funds are available.
- Make small loans to all qualifying projects to inject needed liquidity to help support debt service for the extended development timeline.

The Reopen DC Task Force has notably determined that our city should prioritize equity as the lens that guides the reopening of the city. Few investments offer greater long-term impact for inclusion and equity than affordable housing development.

- The baseline HPTF investment of $100M it crucial to moving forward with projects that have already been selected for financing and are awaiting funds to close and proceed to construction.
- Even so, without an influx of an additional $200+ million into the RFP cycle now, nearly 3,000 units of eligible, shovel ready projects will be stalled.

If this funding is found, it will restore our production capacity and make the Mayor’s goal of 12,000 new affordable units within reach again. Alternatively, the city will have to act quickly to help its long-time partners preserve these same development opportunities until the resources exist to complete them.

Housing for DC residents is critical to our city’s reopening and recovery.