

# HOUSING PRODUCTION TRUST FUND



So Others Might Eat

**The District faces an ever-worsening affordable housing crisis.** The crisis threatens sustainable economic growth, community vitality, and the health and safety of our most vulnerable citizens.

- District housing costs are higher than in every state except Hawaii.
- Working full time, a person must make about \$25 per hour—more than three times the minimum wage—to afford the rent on a modest two-bedroom apartment.
- In mid-January 2008, 13% more individuals were homeless than in mid-January 2004.
- At least 25,000 households are on the D.C. Housing Authority's waiting list for affordable housing.
- Affordability requirements for more than 10,000 housing units will expire by 2010.

**The Housing Production Trust Fund plays a unique role in addressing the affordable housing crisis.** The Trust Fund provides:

- Loans to help nonprofits quickly acquire properties to develop as affordable housing.
- Loans to for-profit and nonprofit developers to help finance new affordable housing projects.
- Financial support to help tenant associations exercise their "first right to purchase" their buildings when landlords are ready to sell.
- Support for the New Communities Initiative—comprehensive redevelopment of neighborhoods that have historically experienced high poverty and crime rates.

**The Housing Production Trust Fund is a vital tool for increasing the stock of affordable housing for low-income D.C. residents.** By law, the Trust Fund is required to dedicate 40% of its annual expenditures to units for households with incomes below 30% of the metropolitan area median average income (AMI).

- Between 2001 and 2006, the Trust Fund helped produce 1,677 units of affordable housing for very low-income residents—those with incomes below 30% of the AMI.
- More than half of these units were in Wards 7 and 8—the wards with the highest poverty rates.
- All wards except Ward 3 gained units for very low-income and low-income households.

**The Housing Production Trust Fund is cost-effective.** Expenditures from the Trust Fund leverage much greater amounts in financing from other sources.

- Between 2001 and 2006, Trust Fund expenditures leveraged more than five times as much in other financing.
- More than 5,000 units were directly supported. This support made possible the production of more than 1,850 other units that were part of the same projects.

**The Housing Production Trust Fund faces a significant shortfall.** Revenues for the Housing Production Trust Fund come from a dedicated percentage of deed recordation and transfer taxes. As in FY 2008, the decline in the housing market will significantly reduce these revenues.

- In FY 2008, the City Council appropriated additional funds for the Housing Production Trust Fund because the program faced an immediate shortfall.
- Projected FY 2009 funding will total \$38 million—\$11 million less than in FY 2008.
- This drop in funding will significantly reduce—perhaps preclude—support for new affordable housing projects, because funds have already been committed to projects approved in prior years.

**Sufficient revenues for the Housing Production Trust Fund must be coupled with increased funding for the Local Rent Supplement Program.** The two programs complement each other in maximizing development of affordable housing for very low-income D.C. residents.

- Before the Local Rent Supplement Program was established, projects targeted to very low-income households required large infusions of Trust Fund dollars—usually 70–80% of capital costs.
- With Local Rent Supplement Program funding, the Trust Fund portion can be reduced by half or more, thus maximizing the impact of Trust Fund dollars.

**Recommendation:** A sustainable funding mechanism that will ensure the availability of funds for the development of permanent affordable supportive housing and other Trust Fund objectives.

The analyses and positions presented here reflect those of three coalitions in which SOME participates—the Coalition for Nonprofit Housing and Economic Development, the Fair Budget Coalition, and the Affordable Housing Alliance. For further information, please contact Nechama Masliansky at 202-797-8806, extension 2107 or [nmasliansky@some.org](mailto:nmasliansky@some.org).