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D.C. Establishes \$10 million Fund to Preserve Disappearing Affordable Housing.

The D.C. Department of Housing and Community Development has a newly established \$10 million public-private fund dedicated to preserving affordable housing and is seeking a fund manager to manage the money.

The preservation fund, approved by the D.C. Council for the 2018 fiscal year, is in addition to the \$100 million in taxpayer money dedicated to the District's Housing Production Trust Fund, the city's biggest pot of money to encourage development of affordable housing.

"We know the needs are great . . . we know where properties are at risk," said Polly Donaldson, the director of DHCD. "We are working to identify those in need immediately and have the [fund] manager be able to start up immediately on that."

The goal of the preservation fund, Donaldson explained, is to preserve, acquire and rehabilitate the city's existing affordable housing stock.

According to the DHCD, the city lost at least 1,000 units of subsidized housing between 2006 and 2014. Another 1,750 units are at risk of being lost, according to the D.C. Preservation Network, a group of government agencies and community-based organizations working to preserve affordable housing in the city. A further 13,700 units have subsidies that will expire in 2020 and are at risk of loss.

"The fund is an important step toward saving D.C.'s disappearing low-cost housing," said Claire Zippel, a housing policy analyst at the D.C. Fiscal Policy Institute.

The new fund will help to increase the amount of public funds available, which has been the biggest constraint in the city's push to preserve affordable housing, she added.

"In recent years, there's been a lot of pressure on D.C.'s Housing Production Trust Fund to meet the full spectrum of affordable housing needs that the city has . . . so it's great news that there's now another tool in the city's affordable housing toolbox," Zippel said.

Creating the preservation fund is one of six recommendations made by the Housing Preservation Strike Force created by Mayor Muriel E. Bowser in 2015. The strike force set the goal of preserving 100 percent of the District's existing federally- and city-assisted affordable rental homes. Establishing the preservation fund is part of a multipronged approach to that objective.

Also included in the recommendations was creating a preservation unit tasked to identify affordable housing at risk of being lost and to deploy resources to preserve them. The preservation unit would have preferential access to money from the fund, according to the strike force's final report. The DHCD is currently in the process of hiring someone to head the unit.

In researching similar funds across the country, the strike force looked at successful examples in

New York City, Los Angeles, Denver, Seattle and the San Francisco area. They found the funds all started with an initial government investment, which was used to leverage private investment.

San Francisco, for example, launched a public-private fund in February to preserve and produce affordable housing in one of the most expensive real estate markets in the United States. Like the District's preservation fund, San Francisco's Housing Accelerator Fund aims to use initial city funding to leverage private investment.

The goal in the District is to use the initial \$10 million to leverage an additional \$30 million in private or philanthropic resources.

But the D.C. government has been faulted for mismanagement of the Housing Production Trust Fund, the city's biggest affordable housing program. In a report in March, the Office of the D.C. Auditor found that millions of dollars in loan repayments had likely gone uncollected from developers, and that many low-cost apartments in the program are occupied by tenants who may not be income-eligible. The auditor also criticized the DHCD, which oversees the fund, for "unreliable" records related to the fund.

The DHCD has laid out general guidelines regarding the new preservation fund's structure and the types of projects it will finance, but details on the fund's design will emerge from the competitive application process.

"We want the fund manager to have strong knowledge of the District and to develop the fund in relation to some of the unique characteristics of the District," including the city's geographic limitations, its high cost of living, its growing population, and the overlapping of state, local and county functions, said Donaldson.

Donaldson said the department expects to finalize arrangements with one or more of the selected fund managers and to have the first project funded by the first quarter of 2018. The fund manager will report quarterly to DHCD.

An advantage of this kind of public-private fund is its flexibility, said Danilo Pelletiere, a senior policy adviser at DHCD.

"A fund like this can move more quickly," making it an apt tool to preserve affordable housing in a fast-changing real estate market, he said.

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By Mary Hui

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