

PUBLIC OVERSIGHT HEARING
THE COMPREHENSIVE HOUSING STRATEGY
TASK FORCE REPORT OF 2006

Before the
Committee on Economic Development
Council of the District of Columbia

The Honorable Sharon Ambrose, Chairman

June 13, 2006, 10:00 a.m.
Room 412, John A. Wilson Building



Testimony of
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Good morning, Chairman Ambrose and members of the Committee on Economic Development. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the OCFO on the Comprehensive Housing Strategy Task Force Report of 2006. The report provides an analysis of the challenges for housing in the District and a menu of recommendations that the Council can consider to address those challenges. My focus today will be on the financing of affordable housing.

The task force report proposes an increase in the District's annual budget for affordable housing of approximately \$200 million per year, and proposes a number of funding sources to reach that amount. These include:

1. An increase in deed recordation and transfer taxes dedicated to the Housing Production Trust Fund from 15 percent to 20 percent;
2. An increase in the deed recordation and transfer taxes to 1.5 percent, with the full increment dedicated to the Housing Production Trust Fund;
3. An earmark of 5 percent of the increase in revenue from residential real estate taxes over a base year for the Housing Production Trust Fund;
4. A linkage fee for some types of commercial-residential development, with revenues going to the Housing Production Trust Fund; and/or
5. A fee on commercial developers granted planned-unit development (PUD) zoning, with revenues going to the Housing Production Trust Fund.

If the Council imposes a new tax to generate funds for affordable housing, such as the linkage fee, the PUD fee, or an additional increase in the deed recordation and

transfer taxes above the increase already included in the fiscal year (FY) 2007 budget, there will be no impact on the general fund. An earmark of the increase in future residential real estate taxes would not have an impact on the budget and financial plan, if those new taxes were above current projections. An increase in the portion of the recordation tax dedicated to the Housing Production Trust Fund would impact the budget, because it would reduce the amount allocated to the general fund.

In the FY 2007 budget, the Council partially adopted the Task Force's recommendation by increasing the deed recordation and transfer tax to 1.45 percent. The Council also set aside funds to study a new commercial impact fee to support affordable housing. The Council allocated most of the increased revenues generated by the increased deed recordation and transfer tax to affordable housing. The proposal will generate gross revenue of \$101 million in FY 2007, with \$15.1 million (15 percent of the gross) transferred to the Housing Production Trust Fund and \$40.3 million dedicated to the Mayor's Comprehensive Housing Task Force Fund. The remainder of the revenue, \$45.5 million, is local fund revenue.

The uses of the \$40.3 million for the Mayor's Comprehensive Housing Task Force Fund (as listed in Title II, Subtitle D of the Fiscal Year 2007 Budget Support Act of 2006) include:

1. \$5 million for workforce housing,
2. \$10 million for the Homeless No More program,
3. \$4 million for mental health housing,
4. \$1.8 million for New Communities planning and economic development,
5. \$4 million for New Communities human capital,
6. \$250,000 for a housing coordinator,

7. \$80,000 for a nexus study on commercial linkage,
8. \$7.5 million for emergency assistance to prevent eviction,
9. \$6 million for energy assistance, and
10. \$1.7 million for homeless initiatives.

The OCFO is willing to work with the Mayor and the Council to determine other revenue sources and financing mechanisms to increase affordable housing opportunities in the District.

For example, the OCFO is aware that there are private organizations working to get institutional investors, such as insurance companies, to finance affordable housing development with the use of federal New Markets Tax Credits and local funds. It may be possible to bring together public and private sector resources to create a Community Land Trust to fund workforce housing. Homes purchased through these types of program would remain affordable in perpetuity and require limited local contributions. There are also other private non-profits that work with local governments, universities, hospitals, and school districts to develop ground lease structures for targeted workforce employees, which can be used to reduce housing costs. We understand that these programs have proven successful in places such as Burlington, Vt., and Irvine, Ca.

Thank you for the opportunity to testify. This concludes my testimony, and I am happy to answer any questions you have at this time.