

**PUBLIC HEARING  
ON  
Bill 20-369, “Truth in Affordability Reporting Act of 2013”**

Before the  
Committee on Finance and Revenue  
Council of the District of Columbia

The Honorable Jack Evans, Chairman

Wednesday, November 6, 2013, 10:00 a.m.  
John A. Wilson Building, Room 500



**Testimony of  
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Good morning, Chairman Evans and Members of the Committee on Finance and Revenue. My name is Yesim Yilmaz, Director of Fiscal and Legislative Analysis at the Office of Revenue Analysis. I am pleased to testify for the Office of the Chief Financial Officer on Bill 20-368, the Truth in Affordability Reporting Act of 2013.

The Truth in Affordability Reporting Act proposes changes to the ways in which publicly subsidized affordable housing developments advertise income eligibility levels for their affordable units. Under the provisions of the bill, affordable housing developments must not only express income eligibility as a share of Area Median Income, as currently is the practice, but also the cash equivalent of this income. For example, under the proposed policy, a project that is deemed affordable at 80 percent of Area Median Income would have to note that the maximum income limit for the affordable units would be \$85,840, which is 80 percent of 2013 Area Median Income levels used by HUD (\$107,300).

The bill also requires that the OCFO publish annually District of Columbia family median income based on household sizes, which will then be used to track and report on affordable housing in the District. In my testimony, I would like to describe how my office would go about providing this information.

The U.S. Census publishes estimates of the District's family median income based on the data collected through the American Communities Survey. The published data is interesting for a number of reasons. First, it shows that the

District’s median family income, which is estimated at \$82,268, is much lower than the Area Median Income. This means that an affordable unit with income eligibility limit of 80 percent of Area Median Income would have a corresponding eligibility limit of 105 percent of District’s family income.

Second, the correlation between family income and household size is weak—that is, bigger families do not, on average, have larger incomes. For example, the median income of two-person families, at roughly \$89,000, is much higher than the median income of three person families, which is estimated at roughly \$69,000. This, is the reflection of the socioeconomic mix of our residents.

**Table 1 – Estimated median family income for the District of Columbia, and error margins**

	District of Columbia		
	Estimate	Margin of Error	Corresponding Range
Entire City	\$82,268	+/-4,104	\$78,164 to \$86,372
2-person families	\$89,233	+/-6,066	\$83,167 to \$95,299
3-person families	\$68,715	+/-7,021	\$61,694 to \$75,736
4-person families	\$101,582	+/-32,643	\$68,939 to \$134,225
5-person families	\$71,018	+/-16,055	\$54,963 to \$87,073
6-person families	\$75,980	+/-41,732	\$34,248 to \$117,712
7-or-more-person families	\$79,164	+/-23,391	\$55,773 to \$102,555

Source: 2012 American Community Survey 1-Year Estimates

Third, the income levels across similar households show great variation. For example, the estimated median income of a family of four is roughly \$101,500, but it could be as high as \$134,000 and as low as \$69,000.<sup>1</sup> This large margin of error is due to the small sample size the District has in the

<sup>1</sup> This margin of error is 10 percent – that is 90 percent of the families earn within the range provided.

American Communities Survey. These shortcomings of the Census data mean that the Office of Revenue Analysis can annually publish the District's median family income level, but not the family income levels by household size. The data is too unreliable and therefore not useful for the intended purpose.

If the Council's intent is to construct a measure of affordability by household size, the Council may want to consider alternative methods. For example, one can start with District's median family income, and apply the same weights that the city uses for inclusionary zone income eligibility calculations.<sup>2</sup> Or, one can start with federal poverty guidelines and use a multiple of these levels to determine "affordability." I provide this data in the appendix to this testimony as additional information.

*Of course, any measure of affordability is a matter of policy and not of estimation, and we would leave this decision to the policy-makers. Once we have additional guidance from the Council on this matter, the tax abatement financial analysis for proposed household subsidies can easily include this information, as well as the District's family median income data, and actual income thresholds as well as the Area Median income references.*

This concludes my testimony. I will be happy to answer any questions.

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<sup>2</sup> These income limits are applicable for D.C. Law 16-275; D.C. Official Code § 6-1041.01 et seq.) ("the Act") and the Inclusionary Zoning Regulations adopted by the Zoning Commission for the District of Columbia and codified in Chapter 26 Title 11 of the DCMR.

APPENDIX

**Table 2 – Household income limits by household size factor under inclusionary zone**

Household size	Household size factor	Income limit using hh size factor	Census estimate
1-person families	0.7	\$57,588	NA
2-person families	0.8	<b>\$65,814</b>	\$83,167 to \$95,299
3-person families	0.9	\$74,041	\$61,694 to \$75,736
4-person families	1	\$82,268	\$68,939 to \$134,225
5-person families	1.1	<b>\$90,495</b>	\$54,963 to \$87,073
6-person families	1.2	\$98,722	\$34,248 to \$117,712
7-person families	NA	NA	\$55,773 to \$102,555

Table Note: Household size factors are established by D.C. Law 16-275; D.C. Official Code § 6-1041.01 et seq.) (“the Act”) and the Inclusionary Zoning Regulations adopted by the Zoning Commission for the District of Columbia and codified in Chapter 26 Title 11 of the DCMR.

**Table 3 – Federal poverty guidelines for basis of income eligibility**

household size	Federal Poverty Guideline	250 percent of federal poverty level	% of District median	% of AMI
1-person families	\$11,490	\$28,725	35%	27%
2-person families	\$15,510	\$38,775	47%	36%
3-person families	\$19,530	\$48,825	59%	46%
4-person families	\$23,550	\$58,875	72%	55%
5-person families	\$27,570	\$68,925	84%	64%
6-person families	\$31,590	\$78,975	96%	74%
7-person families	\$35,610	\$89,025	108%	83%

Source: Department of Health and Human Services