

RESOLUTION 10 -29

TO ADOPT LOCAL RENT SUPPLEMENT PROGRAM (LRSP) FUNDING ALLOCATIONS UNDER THE NEWLY APPROPRIATED FISCAL YEAR 2011 LRSP FUNDS

WHEREAS, the LRSP is established to provide housing assistance to extremely low income households in the District of Columbia, including, but not limited to, those who are homeless and those in need of supportive services, such as elderly individuals or those with disabilities; and

WHEREAS, the intent of the LRSP is to increase the stock of permanent affordable housing in the District of Columbia through a program that complements the District of Columbia Housing Authority (DCHA) Housing Choice Voucher Program (HCVP); and

WHEREAS, the LRSP has three types of housing assistance which is only available in the District of Columbia: Tenant-based, Project-based, and Sponsor-based; and

WHEREAS, the LRSP shall follow the rules and regulations of the HCVP administered by DCHA unless provided otherwise and more specifically stated in the LRSP regulations; and

WHEREAS, Section 9507.3 of the DCHA regulations provides that after the initial year of appropriation of LRSP funding from the Government of District of Columbia, DCHA may amend on an annual basis Section 9507.2 through official action of the Board of Commissioners; and

WHEREAS, the Board of Commissioners has been asked to approve the allocation of LRSP funding provided by the Government of the District of Columbia for the 2011 fiscal year in the amount of fifty percent (50%) for Project-based and Sponsor-based housing assistance and fifty percent (50%) for Tenant-based housing assistance; and

WHEREAS, the Board of Commissioners wishes to take steps to ensure that project and sponsor-based units are filled with applicants from DCHA's waiting list in accordance with the LRSP applicable law and regulations; and

NOW THEREFORE, BE IT RESOLVED, the Board of Commissioners of the DCHA hereby adopts the allocation of the LRSP newly appropriated FY 2011 funding at fifty percent (50%) for Project-based and Sponsor-based housing assistance and fifty percent (50%) for Tenant-based housing assistance.

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To Adopt Local Rent Supplement
Program (LRSP) Funding Allocations
Under The Newly Appropriated
Fiscal Year 2011 LRSP Funds

ADOPTED by the Board of Commissioners and signed in authentication of
its passage the 10th day of November, 2010.

ATTEST:



Adrienne Todman
Interim Executive Director/Secretary

APPROVAL:



LaRuby May
Chairman

APPROVED FOR FORM AND LEGAL SUFFICIENCY:



Hans Froelicher
General Counsel

RESOLUTION 10-29



CNHED

Coalition for Nonprofit Housing and Economic Development

October 8, 2010

Adrienne Todman
Interim Executive Director
District of Columbia Housing Authority
1133 North Capitol Street, NE
Washington, DC 20002

Dear Ms. Todman:

The Coalition for Nonprofit Housing and Economic Development requests that the allocation of the Local Rent Supplement Program (LRSP) remain at 70 percent for project and sponsor based housing and 30 percent for tenant based vouchers. We maintain that the program should continue to be administered under program rules as it has in the past, and we do not support restrictions on how a sponsor based housing provider may serve its clientele so long as they are qualified under the terms of the Local Rent Supplement law and regulations.

The Local Rent Supplement Program is used by sponsor based providers as a key tool in financing their supportive housing projects. Each provider has a well developed program serving individuals and families that they are best suited to serve. It is critically important that funding for such projects be made on a consistent, clearly understood basis year-after-year and not be changed because of temporary circumstances.

We urge the Housing Authority to move expeditiously to develop and issue a request for proposals so that the additional \$1 million in LRSP funding for FY 2011 may be obligated at the earliest possible date.

Attached is a summary of reasons CNHED believes the Housing Authority should continue to support Local Rent Supplement project and sponsor based housing.

Sincerely,

Robert Pohlman
Executive Director

cc: District of Columbia Housing Authority
Board of Commissioners

building strong neighborhoods together

Coalition for Nonprofit Housing and Economic Development Local Rent Supplement Program Recommendation – FY 2011

The Coalition for Nonprofit Housing and Economic Development (CNHED) urges DCHA to maintain the current allocation of 70 percent of the \$1 million FY 2011 appropriation for the Local Rent Supplement Program (LRSP) for project and sponsor based vouchers and 30 percent for tenant based vouchers. This is consistent with what we understood was DCHA's long term view of the program. In 2007 Michael Kelly wrote to the Commissioners when asking that the allocation be changed to 70/30, "It has been the intent to make the LRSP a permanent housing production program in line with this overarching goal and the goals of the Government of the District of Columbia to provide housing options to homeless individuals and families..." That was our understanding as well.

Why is project and sponsor based LRSP needed now?

1. To Resume Housing Production

The production of additional permanent supportive housing units and other housing affordable to residents below 30 percent of AMI has come to a halt due to the lack of project and sponsor based LRSP. Based on a very preliminary survey, our members currently have seven projects with 232 units eligible for LRSP poised to begin if rent subsidies totaling \$1,961,800 were made available. With LRSP these projects could proceed, and in some cases without additional financing from the District. In addition to these projects, developing permanent affordable housing stock now, while real estate prices are temporarily depressed, is an opportunity that should not be missed. Without LRSP as an operating subsidy, supportive housing providers will be unwilling to acquire new properties. Reverting to a lower share of LRSP will only add to the reluctance to risk developing this type of housing, for which rent subsidies are essential.

2. To Retain the Program as a Viable Production Tool

Lenders and investors in housing for extremely low income residents of the District have grown skeptical about the future of LRSP. As a consequence, some will not count LRSP promised rent levels as a basis for financing a project. The reason for this skepticism relates to the history of the program. In FY 2007, LRSP was initially funded at \$12 million. In FY 2008, \$7 million was added. For fiscal years 2009 and 2010 nothing was added to the budget. Only \$1 million has been added to LRSP for FY 2011, but at least this represents an increase and indicates the program is still available to house additional residents. Seventy percent of the \$1 million (\$700,000) would help to subsidize approximately 70 additional housing units. While this would address only about one-third of the demand we have identified, it would be sufficient to motivate the producers of housing to compete for the funds. Should only 40 percent of the \$1 million (\$400,000) be made available for project and sponsor based LRSP, it would subsidize 40 units, only about one-fifth of the demand. If such a limited amount was made available, it would discourage housing producers from applying and it would send the wrong message to lenders and investors about the District's commitment to LRSP as a production tool.

3. To Implement the ICH Production Plan to End Homelessness

There is broad consensus among those seeking to eliminate homelessness that both scattered site and single site permanent supportive housing (PSH) models are needed as essential parts of the solution. In 2008 the District issued a permanent supportive housing production plan, but has relied almost exclusively since on housing homeless residents in scattered site apartments. Now the Interagency Council on Homelessness has adopted a five-year strategic plan that reflects a much stronger commitment to the production of permanent supportive

housing units. A Permanent Supportive Housing Production Committee has been established to press for implementation and monitor results. Project and sponsor based LRSP is essential for the production of PSH in the District. It is critical that units are produced now, before a recovering economy sparks another real estate boom in a city that is rapidly becoming more gentrified, even during the current economic downturn. Operating subsidy (provided by LRSP subsidizing the amount a tenant can pay) is essential to the production of PSH. If LRSP is not dedicated to provide this subsidy, there will be no permanent supportive housing stock produced. Seattle, Washington, known for its effective efforts to end homelessness, provides the great majority of its housing for the homeless through the production of permanent supportive housing stock. One secret to their success is a tax levy that provides a reliable stream of rent subsidy that can be pledged to PSH development through a consolidated funding process. Without sufficient LRSP, this coordinated pooling of resources required for production, long sought by advocates and housing providers in the District, will not be possible.

- 4. Because it Comes With Supportive Services** – The District has recognized that in order to house homeless individuals and families, particularly those on the Vulnerability Index and families in shelters, it must provide intensive supportive services that accompany permanent supportive housing. Services are not provided with tenant based vouchers issued by DCHA, but DCHA is required to designate a portion of the funds allocated to sponsor based housing on a priority basis to sponsors of supportive housing. It is essential that our most vulnerable residents are given access to the services they need, and LRSP can be used with supportive housing to ensure that.

- 5. Project and Sponsor Based Housing Requires Less LRSP Per Unit!**

Project and Sponsor based housing provided by nonprofit affordable housing producers costs less per unit than tenant based vouchers used in the private market. The aforementioned survey of our members indicated a projected request for project and sponsor based LRSP per unit of \$10,346 per year for sponsor based and \$6,047 per unit per year for project based. The DC Housing Authority's historical cost experience for LRSP is as follows: Project & Sponsor Based Vouchers - \$10,071 per unit; Tenant Based Vouchers - \$14,000 per unit. It's also important to take into account that sponsor based providers are almost certain to be committing to provide supportive services with the units they provide whereas owners accepting tenant based vouchers are not. While more work should be done to compare the respective cost per unit for comparable bedroom sizes (tenant based voucher holders, for example, may be leasing larger units than is being provided by project based developers) the aforementioned differential should be expected. Often mission-driven non-profits will accept less than fair market rents because they are not looking for the return on investment expected by private sector landlords. Also, the competitive process for awarding LRSP serves to drive down requested rents below what private landlords receive under tenant based LRSP. Finally, the owner may be receiving other subsidy – such as from low income housing tax credits – that brings rents down to below market levels (e.g. 50 percent of AMI). LRSP, as permitted by the regulations, is then only needed to subsidize the rent down to 30 percent or below AMI. Regardless of what causes the lower amount of LRSP per unit requested, LRSP in these instances is providing more extremely low income families – below 30 percent of AMI – with housing than they could otherwise afford and than would otherwise be provided but for LRSP.

- 6. Project and Sponsor Based LRSP Yields a Double Benefit!** Project and Sponsor based LRSP helps produce additional affordable housing stock. Thus Project and Sponsor based LRSP typically yield a double benefit – subsidized rents for extremely low income households and operating subsidies (through subsidized rents) that can be leveraged to help finance the production of project and sponsor based housing units.