



District of Columbia Housing Authority
FY 2020 Budget Oversight
Tyrone Garrett, Executive Director

Good morning Chairperson Bonds and the members of the Committee on Housing and Neighborhood Revitalization. My name is Tyrone Garrett and I am honored to serve as the Executive Director of the District of Columbia Housing Authority. While I am pleased to testify before you today on the proposed FY 2020 Housing Authority Subsidy and the programs supported by this subsidy, I will also spend a considerable part of my time today providing the Committee with an update on the Authority's efforts to stabilize our housing portfolio, including further refinement of the estimated resources needed to address the scope of the challenge before us. As we speak here today, the Authority faces some of the most critical series of decisions in recent history. Decades long Federal underfunding of traditional public housing, aging infrastructure and continued deterioration of our public housing stock threaten not only the continued viability of the properties, but, in the most extreme cases the health and safety of our residents. The critical support of the District has enabled the Authority to address some of its most urgent repair needs over the last several years, but we can no longer postpone significant portfolio-wide action.

There has been a concerted effort to find innovative ways to address the decades of disrepair in the portfolio, and position our properties for ongoing physical and economic viability. Even in the face of dire funding circumstances, DCHA sees an unprecedented opportunity to align its mission of providing housing to the most vulnerable members of our community to our current and projected economic reality.

We are fortunate as a City that we have an Administration and Council that has long recognized the need for creating and preserving affordable housing. I would like to thank the Mayor and the City Administrator for proposing a subsidy that yet again supports the mission of the housing authority in providing quality affordable housing, fostering sustainable communities and cultivating opportunities for residents to improve their lives. Through the District funded rental assistance programs, over 5,000 extremely low-income District of Columbia households have a place to call home. Over 88 projects, totaling over 1,900 units, are either online or in the pipeline to produce or preserve deeply affordable housing in the District. Additionally, this proposed budget will continue to support the housing authority's public safety force, an effort that is designed to support our public housing management operations and complement the efforts of the Metropolitan Police Department (MPD).

The FY 2020 proposed DCHA subsidy totals \$128 Million. A portion of these funds, \$4.2 Million, will continue to support public safety efforts in and around our public housing communities. This public safety initiative began in the late 1990's with the goal of improving DCHA's ability to be an effective landlord and to assist in the prevention and reduction of crime. Our public safety force works closely with the Metropolitan Police Department, and serves as a key part of our management operations. These funds overall provide approximately half of the operating costs for this department.

On behalf of the entire DCHA Team, and the almost 20,000 public housing residents we serve, we thank you for your continued support.

The remaining \$123.8 Million included in the proposed FY 2020 budget supports rental assistance through three main platforms. The newest platform, an allocation in its first year of funding, is the shallow subsidy for unsubsidized seniors. With an appropriation of seven hundred thirty six thousand dollars, this shallow subsidy is anticipated to assist approximately 100 senior headed households who make up to 60% AMI and are paying more than 30% of their income towards housing.

Approximately \$7.14 million is allocated to DC Local to support rental assistance to approximately 430 households. This allocation was first added to DCHA's budget at a time when funding cuts from HUD threatened DCHA's ability to house families from the waiting list. The District has continued to provide this support to these families year after year which has contributed to their housing stability.

The remaining, and largest, portion of the District's allocation to DCHA, almost one hundred million, is connected to the Local Rent Supplement Program. LRSP supports tenant based and project/sponsor based housing assistance for households whose incomes are at or below 30% AMI. Together these programs will provide ongoing rental assistance for over 5,000 extremely low-income households living in the District of Columbia.

The Mayor's proposed FY 2020 budget includes \$15.1 Million in new funding for the Local Rent Supplement Tenant Based Program. These funds will support additional Targeted Affordable Housing (TAH) and Permanent Supportive Housing (PSH) vouchers in support of the HomeWard DC plan. The Department of Human Services and the Interagency Council on Homelessness have estimated that this funding will support an estimated 620 households in PSH and TAH combined, providing housing to three hundred forty five (345) Individuals, two hundred sixty (260) families and fifteen (15) youth headed households.

The DC Housing Authority takes very seriously the responsibility that we have in administering the Housing Authority Subsidy funds that we have been entrusted to manage, and will continue to work with our sister agencies to continue this vital work.

In addition to providing much needed funding to support rental assistance support to some of the most vulnerable residents in the District, expansion of the allowed expenditures beyond rental assistance payments is making a significant impact as well.

Enacted as part of the FY2019 Budget Support Act, DC Housing Authority is now able to provide application fee and security deposit assistance to voucher families in need. Our Housing Choice Voucher Program has begun implementation by offering this assistance first to new families in LRSP and then families experiencing difficulties connecting to housing.

A previous expansion to the use of LRSP funds is the ability to convert unspent LRSP funds to the capital funding for repairs in public housing, the Rehabilitation and Maintenance Fund. Now expending the third round of allocation, the Rehabilitation and Maintenance Fund has been a tremendous new tool in our fight to preserve our existing public housing. Each year, unspent Local Rent Supplement Program funds can be converted to capital funds, available regardless of fiscal year, to support capital improvement projects in public housing. In the first two years of the fund's creation, DCHA received and obligated \$20 Million to support projects big and small. From vacant unit turnover, to mechanical operations upgrades and roof replacements, these funds have played a critical role in our ability to chip away at some of the capital



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improvement needs in our public housing communities. The latest infusion into the R&M Fund totals \$8.2 Million we are continuing with the effort to address some of our capital needs. We are truly thankful for the Mayor and Council's continued support of this fund and appreciate your commitment to continue to support the capital investments in our public housing stock. I am pleased that DCHA is expected to once again be able to convert the unspent Local Rent Supplement Program funds to support repairs at our public housing sites.

As I highlighted during my testimony at the Performance Oversight Hearing, as well as in the presentations and briefings made to the Board and stakeholders, the state of our public housing stock is dire and in need of significant investment. The sobering results of our environmental and risk assessment review confirmed the tremendous amount of unmet, deferred capital needs in our public housing. Our lead risk assessments and visual inspections of every unit have revealed instances of: lead paint hazards; mold; poor air quality; rodent infestation; and extreme wear and damage. With a portfolio of properties, ninety-six percent of which was built before 1970, the pace of deterioration is accelerating - even as funding decreases and demand increases. My team and I have been laser focused on exploring all of the opportunities and options available to access needed capital, bring on expertise and protect this precious resource.

DC Housing Authority is not alone in the challenges we are facing. This is an all too familiar situation around the country. As the National Low Income Housing Coalition published in their recent report, access to quality affordable housing is a concern across the country. While housing may be available, the ability to find safe and affordable housing is an extreme challenge. The need to preserve and protect our existing housing resources is all the more vital, which is why the bold, innovative and transformational solutions that are needed to meet this crisis head on.

In addition to the years of underfunding for our operating and capital funds, the proposed federal budget for FY 2020, would slash funding for the U.S. Department of Housing and Urban Development by more than 16 percent, including a \$4.6 billion cut to the public housing capital and operating funds. These potential cuts in the federal budget could have a significant impact to our budget as well. What is clear is that the federal government is not in a position to support the needs of public housing. We must explore all options including unlocking private capital, accessing funds through philanthropy and creating partnerships to bring the needed investment to our communities.

The stabilization of DCHA's public housing portfolio is intended to allow the Authority to continue to fulfill its mission to its residents. The values that guide our efforts are to first, ensure residents live in safe, clean and affordable housing. We strive to ensure that, to the maximum extent possible, the dignity and quality of life of every DCHA resident and guaranteeing resident and participant rights. We strive to provide good stewardship of available funds to maximize affordable housing opportunities for the most vulnerable. We strive to serve as many households as possible, especially those at 30% area median income (AMI) or below. We strive to preserve long-term affordability of housing in the District through a sustainable and transformed DCHA.

We have said before that DCHA's current funding is unlikely to be sufficient to meet its capital needs, and that the funding gap may worsen if funding levels continue on current course. You may recall initial reports and conversations where we indicated some preliminary numbers. The figure, one billion three hundred million (\$1.3 Billion) represented a snapshot of capital needs for the entire DCHA portfolio in 2018 dollars. As this estimate was developed in the early stages of our review, the \$1.3 Billion estimate did not factor cost-escalation over an estimated 17-year rehabilitation and/or redevelopment program. This estimate also did not include soft costs, like design, planning, and legal expenditures, for rehab or redevelopment projects.



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Similarly, the subset of three hundred forty three million (\$343 MM) was also a snapshot provided to the U.S. Department of Housing and Urban Development (HUD) in late 2018 to quantify the anticipated cost of repairs to a set of properties. It was a first perspective of the funding needed in FY2019 to engage in a task-by-task repair and maintenance of all issues uncovered through environmental assessments, including lead risk assessments and visual unit inspections, to meet immediate needs for the units. This amount would have only mitigated the environmental hazards for one-year for the 2,610 extremely urgent units in the short-term, including meeting regulatory requirements related to addressing lead issues within a year. This approach would not, however, have fixed the systemic infrastructure issues that plague many of our properties to ensure 20-year viability of the agency's public housing portfolio.

As we continue to refine our estimates and get a deeper sense of the variables and timelines, we are now in a position to provide the following updates:

\$2.2 Billion

The more realistic cost estimate for rehabilitation and redevelopment, as we have learned by reviewing previous development deals, is that several factors, like cost escalation, soft costs and other expenses must be factored into the equation. Given current market trends and factoring these costs, the current estimate is that \$2.2 Billion is what is required.

With such a large sum, it may feel as though this endeavor is impossible to achievable. I cannot sit here to say that we have all the answers today, but what I can tell you is that all signs indicate that funding for public housing is going to continue to decline. Maintaining our housing stock, as it continues to age, requires more and more funding. Our biggest villain is TIME and MONEY.

Stabilizing DCHA's portfolio would require conversion of some portion of DCHA's public housing units to subsidy platforms that facilitate financing of rehabilitation and/or redevelopment.

- Conversion of public housing (Annual Contributions Contract) properties under HUD's Rental Assistance Demonstration ("RAD") or
- Demolition/Disposition under Section 18

In either conversion scenario, DCHA would look to maintain ownership and management control of the properties. We have been able to develop some scenarios for further exploration:

- DCHA's lowest cost scenario to address the needs of the full portfolio would require \$785 - 850 million in cash. This approach would entail DCHA getting \$785 - 850 million to leverage \$2.2 billion of total development funding. This approach assumes the full use of all programs available through HUD, including Rental Assistance Demonstration (RAD) for properties that require major or minor rehab and mixed finance redevelopment for properties requiring demolition. Some land sales may be required to generate working capital. This approach also assumes that DCHA would refine and adopt best practices related to property management operations to maximize efficiency.



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- As a way to deal with our most immediate needs, our current estimate is that \$25 Million is needed over the first 2-years of Stabilization at \$12.5 M / year. This funding will address the capital and environmental needs of 190-200 units (to 20-year viability), by undertaking major rehabilitation and abatement of existing environmental hazards at up-to two of the DCHA's fourteen most-urgent sites. In order to rehabilitate these properties, resident relocation would be required at these sites and other sites among the 14 most-urgent properties in order to provide residents with safe housing.
- Additionally, a dedicated funding source of \$10-15 million a year for 10+ years would allow DCHA to leverage this source to raise up to \$125 million to address capital needs.

As you can imagine, there are a multitude of decision points that inform the stabilization approaches under consideration. My team and I are developing tools, engaging our board and stakeholders as we examine questions like;

- How much of the portfolio can we afford to manage ourselves?
- How and where should we relocate residents to facilitate rehab/ redevelopment?
- How to address properties with extremely urgent needs?
- How much traditional public housing can we preserve?

Each decision point has trade-offs and we are working hard every day to ensure that our decisions are made in a balanced, equitable and compassionate way. Our residents and our communities deserve the very best that we as a District can leverage to maximize resources and tools.

I thank you for your dedication to preserving affordable housing and your continued support of all of the efforts underway. I am available to answer any questions you may have at this time.



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