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**Testimony of Nina Swanson on behalf of Nechama Masliansky
SOME, Inc. (So Others Might Eat)
To the Committee on Housing and Workforce Development
Public Hearing on FY10 Budget of DC Housing Authority
April 8, 2009**

Good afternoon, Chairperson Barry and members of the Committee. My name is Nina Swanson; I am the Director of Advocacy & Social Justice at SOME (So Others Might Eat), and I am presenting the testimony of Nechama Masliansky, who is the Senior Advocacy Advisor at SOME and could not be present today. SOME is a nonprofit, interfaith organization that for nearly 40 years has served District residents who are homeless or at risk of homelessness. We provide comprehensive services, including transitional and permanent housing.

For the past two and one-half years, we and other organizations have worked closely with DCHA on development of new units of supportive-service, affordable housing for extremely low-income residents. The Local Rent Supplement Program (LRSP) has been an important funding tool for making these units possible. For example, with LRSP, we have been able to structure a financing arrangement for **262** units. The financing arrangement includes tax-exempt bond financing through the DC Housing Finance Agency and low-income housing tax credit equity.

We appreciate our working relationship with the Housing Authority, and we also highly value the Local Rent Supplement Program as a funding tool that works for this particular kind of housing. The DCHA's commitment of operating expenses paid through LRSP over a period of years makes possible the financing of affordable, special-needs units. Our residents cannot afford market rates for rent. Their rent contributions produce no net income available for supporting private or public debt. But lenders need to see that the developers will have a steady stream of funds for operating expenses and to pay back their loans. With LRSP, the combination of tenant payments and public rent subsidy produces a steady, predictable stream of project income that can leverage significant private debt.

Without some assurance that the subsidy for operating expenses will be available over a lengthy time period, financial institutions will be increasingly reluctant to commit to make loans to developers for this kind of housing. They need to know they will be paid back. This is not speculation. This is a fact.

Using LRSP as part of our financing package, we have already produced **22** units for families, and we have purchased 7 sites where we had planned to provide another **336** units.

Therefore, we are very concerned about the proposed FY10 local subsidy for the DCHA. The District's proposed subsidy to DCHA reduces the local subsidy for LRSP from \$19.2 million to \$13.4 million for FY10. The argument is that since there remain as-yet unspent funds from FY07-- because some projects have been delayed as a result of financing difficulties-- DCHA will "borrow" about \$5.8 million of those unspent funds to make up the difference in FY10.

This seems like a tidy response and one that will help the District balance the budget. However, this approach is very risky, and, we suggest, it imperils the future of the LRSP.

- a. DCHA will be forced to use about \$2.5 million of the funds just to pay cost-of-living rental increases for the tenant-based vouchers in FY10. What about administrative expenses for FY10?
- b. If these funds are borrowed, how will they be replaced? If they are cut now, will they not be cut again next year? And if so, what future does the program have?
- c. To allow for sustainable affordable housing production, a steady stream of funding for LRSP must be maintained. Funding cannot go up one year and down the next. You will lose any interest from private financing institutions and therefore lose the ability to develop this kind of housing.
- d. You will also miss the timeframe in which to use the waning ability of nonprofit developers to make this housing happen. It would be a tragedy, considering that a few organizations such as SOME still have some capacity to do so quickly.
- e. If LRSP is dismantled as a financing tool for affordable-housing production, where will that housing come from? The Housing Production Trust Fund is severely underfunded. The federal surplus does not supply the answer. LRSP is the answer. It must survive. It is the best hope for housing for this population in the foreseeable future.

In fact, LRSP must thrive if there is to be any reasonable hope for people who are seeking housing at the 0-30% AMI level. Therefore, we respectfully recommend that it would be wiser to retain the LRSP subsidy at \$19 million, and even to increase it.

- a. Instead of “borrowing” unspent funds, use them in FY10 to subsidize project- and sponsor-based projects that are “ready to go.” That would use the funds for the purposes they were intended for, and get people into housing within the fiscal year.
- b. Strengthen the viability of LRSP. We continue to recommend that the District take seriously the recommendations of its own comprehensive housing task force and invest a minimum of \$15 million to develop 1,000 units of affordable housing for this population. If this amount is not possible, the District should seriously consider increasing the LRSP funding by at least \$2 to \$3 million in FY10. This will be sufficient to house 166-248 families. In other words, at minimum we recommend restoring in FY10 the modest increase that this Council voted for LRSP in FY09 but removed in the FY09 budget-gap legislation. The result would be a baseline subsidy for LRSP of \$21-\$22 million, with several hundred *more* people housed, plus the retention of a viable LRSP for the future.

The approach taken in this budget—to deal with the budget crisis but not to implement a strategic plan for the housing crisis—is short-sighted. We recommend that the District develop a five-year plan that sets forth annual goals and annual resources so that organizations such as ours can acquire properties with some assurance they will be able to develop the housing.

Thank you for your ongoing support of services for the District’s most vulnerable people, and thank you for the opportunity to testify today. If there are questions, Ms. Masliansky and SOME’s Housing Development staff will be pleased to meet with you.

Restoring Hope & Dignity One Person at a Time